A Report to the Montana Legislature

Financial Audit

State of Montana

For the Fiscal Year Ended June 30, 2019

March 2020

Legislative Audit Division

19-01

Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2017, was issued March 23, 2018. The Single Audit Report for the two fiscal years ended June 30, 2019, will be issued by March 31, 2020.

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LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

March 2020

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our Independent Auditor's Report on the basic financial statements (BFS) and the Schedule of Expenditures of Federal Awards (SEFA) of the State of Montana for the fiscal year ended June 30, 2019. The BFS was prepared by the State Financial Services Division of the Department of Administration. The SEFA was prepared by the Governor's Office of Budget and Program Planning. We issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS.

We issued unmodified opinions on 9 of the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. This means the reader may rely on the information presented in the report for those opinion units. We issued qualified opinions on the General Fund and Federal Special Revenue Fund opinion units because a material loss contingency is not included in the note disclosures that are an integral part of the BFS. More information on the basis for the qualification is discussed in the Independent Auditor Report. The qualified opinion means, that except for the effects of the omitted disclosure, the reader may rely on the information presented in those two opinion units.

The report also contains our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. This report is required by *Government Auditing Standards*. This report includes issues reported in our audit reports of the Department of Public Health and Human Services (19-14) and the Public Employee's Retirement Board (18-08B) because they are material in relation to the State of Montana's basic financial statements. Included in this report are a material control weakness and material noncompliance related to Medicaid and Children's Health Insurance Plan payments made to recipients that may not have been eligible, as well as a significant control deficiency related to Supplemental Nutrition Assistance Program payments. In addition, material noncompliance is identified related to three retirement systems that are not actuarially sound as required by the Montana Constitution.

Department of Administration and Governor's office officials reviewed the contents of this report. The Department of Administration's response is on page B-1. The response from the Governor's office is on page B-2.

We thank the Department of Administration's director, the State Financial Services Division staff, and the Governor's Office staff for their cooperation and assistance throughout the audit

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Elected, Appointed and Administrative Officials

State of Montana Steve Bullock, Governor

Department of Administration John Lewis, Director

State Financial Services Division
Cheryl Grey, CPA, Administrator
State Accounting Bureau
Cody Pearce, CPA, State Accountant
State Accounting & Financial Reporting Section
Kristin Reynolds, CPA, Manager
Drew Bisenius, CPA, Accountant
Elisabeth Campbell, Accountant
Courtney Cozzie, Accountant
Brian Feller, CPA, Accountant
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Montana Legislative Audit Division

Financial Audit
State of Montana
For the Fiscal Year Ended June 30, 2019

March 2020 19-01 Report Summary

We issued qualified opinions on the General Fund and Federal Special Revenue Fund opinion units because a material loss contingency is not included in the note disclosures that are an integral part of the Basic Financial Statements (BFS). Generally Accepted Accounting Principles (GAAP) require disclosure of a loss contingency of this magnitude for Medicaid and Children's Health Insurance Program (CHIP) payments between $84 and $163 million made by the Department of Health and Human Services to recipients who may not be eligible. The qualified opinions mean, that except for the effects of the omitted disclosure, the reader may rely on the information presented in those two opinion units. We issued unmodified opinions on the other nine opinion units included in the State of Montana's BFS at June 30, 2019.

Context

The unassigned General Fund ending fund balance increased from June 30, 2018, by over $174.6 million to $361.3 million at June 30, 2019, a 107 percent increase. The unassigned portion of fund balance indicates it is not earmarked for a specific purpose. The committed General Fund ending balance of $60.7 million is related to the Budget Stabilization Reserve Fund required by state law. Committed fund balance indicates that amount can only be used for the specific purposes determined by a formal action of the legislature. Overall, total General Fund revenue increased from 2018 by $185.4 million, an eight percent increase. Most of the increase in General Fund revenue is related to Individual Income tax, which increased from $1.285 billion in fiscal year 2018 to $1.420 billion in fiscal year 2019, a 10 percent increase. Conversely, total General Fund expenditures increased by $53.4 million, a 2 percent increase.

This set of financial statements provides Montana citizens a summary of the state's overall financial position as of June 30, 2019, as well as financial information on all operations and activities of state government for the fiscal year then ended. The General Fund is used to account for all governmental financial sources except those required to be accounted for in another fund. The General Fund and Federal Special Revenue Fund account for approximately 80 percent of the state's governmental fund revenue of $6.740 billion. The Health & Human Services and Education categories account for approximately 64 percent of the state's $6.294 billion of governmental fund expenditures.

The Department of Administration (department) prepares the BFS by consolidating every state agency's financial data into an annual financial report from the Statewide Accounting, Budgeting, and Human Resources system (SABHRS) with adjustments. Adjustments are made to present the financial activity in accordance with GAAP.

(continued on back)

The financial section of this report consists of the BFS and related note disclosures. The note disclosures contain a substantial amount of information to help the reader understand the financial statements. Also included in the financial sections is Required Supplementary Information (RSI), including Management's Discussion and Analysis. RSI has been determined by the Governmental Accounting Standards Board to be an essential part of financial reporting for placing the BFS in an appropriate operational, economic, or historical context.

The Governor's Office of Budget and Program Planning prepares the Schedule of Expenditures of Federal Awards (SEFA). The SEFA reports total federal grant expenditures of approximately $3.974 billion. This total includes certain noncash assistance amounts and loan amounts for certain programs.

Results

Our audit work included obtaining and evaluating the results of agency audits. We also analyzed financial data, including testing adjustments and corrections to the accounting records, and review of the financial statements and notes to determine whether they are supported and presented in accordance with GAAP. We determined the SEFA is reasonable in relation to the amounts presented in the BFS. There were no prior audit recommendations, and this report does not include any audit recommendations.

In our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters we are reporting a material weakness and a significant control deficiency related to Department of Public Health and Human Services (DPHHS) internal controls related to Medicaid and CHIP payments and Supplemental Nutrition Assistance Program payments, respectively. The report also discloses two material noncompliance issues related to DPHHS payments to ineligible CHIP and Medicaid recipients and three retirement systems that are not actuarially sound as required by the Montana Constitution.

Chapter I – Introduction

Objectives and Summary of Results

We conducted a financial audit of the State of Montana's Basic Financial Statements (BFS) for the fiscal year ended June 30, 2019. The objectives of the audit were to:

1. Express opinions on the fair presentation of the state's BFS in accordance with Generally Accepted Accounting Principles (GAAP) and an opinion on the state's Schedule of Expenditures of Federal Awards (SEFA) in relation to the state's BFS.
2. Prepare the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on our audit of the State of Montana's BFS for the fiscal year ended June 30, 2019, as required by *Government Auditing Standards*. This report is prepared based on the results of this audit as well as all other audits.
3. Obtain an understanding of the internal control structures to the extent necessary to support the audit of its financial statements and, where necessary, make recommendations for improvement in the management and internal controls.

In accordance with state law, the Department of Administration (department) prepares the BFS for the State of Montana. To prepare the BFS, the department uses financial data from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) used by all agencies. Adjustments are made from the SABHRS data to present the financial activity in accordance with GAAP. Adjustments include but are not limited to correction of errors and eliminating internal balances that roll together for presentation purposes.

To address the objectives above, we focused our audit efforts on analyzing financial data, including testing adjustments and corrections to the accounting records, and reviewing the financial statements and notes to determine whether they were adequately supported and comply with GAAP. We also evaluated the results of completed agency audits. We determined whether the SEFA was reasonable in relation to the amounts presented in the BFS and prepared in accordance with Uniform Guidance.

We issued qualified opinions on the General Fund and Federal Special Revenue Fund opinion units. A material loss contingency, that we believe is necessary information for readers of the financial statements, is not included in the note disclosure that are an integral part of the BFS. GAAP require disclosures of a loss contingency of this magnitude for federal Medicaid and Children's Health Insurance Program (CHIP) payments between $84 and $163 million made by the Department of Health and Human Services (DPHHS) to recipients who may not be eligible. The questioned costs

could be disallowed by the federal government, requiring the state to return the federal share. We issued unmodified opinions on the other nine opinion units included in the BFS. An unmodified opinion means the reader may rely on the fairness of the information presented for decision making.

In our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, we are reporting a material weakness and a significant deficiency in internal control related to DPHHS internal controls related to Medicaid and CHIP payments and Supplemental Nutritional Assistance Program payments, respectively. The report also includes two material noncompliance issues related to DPHHS payments to ineligible Medicaid and CHIP recipients and three retirement systems that are not actuarily sound as required by the Montana Constitution. All issues related to DPHHS are included in the audit reports of DPHHS (19-14). The retirement systems issue is disclosed in the Public Employees' Retirement Board (18-08B) audit.

There were no prior audit recommendations, and this report does not include any audit recommendations.

Independent Auditor’s Report,
Basic Financial Statements,
Required Supplementary Information and
Schedule of Expenditures of Federal Awards

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Montana's basic financial statements, and have issued our report thereon dated February 13, 2020. Our report includes qualified opinions on the General Fund and Federal Special Revenue Fund opinion units. We issued qualified opinions because the note disclosures do not include a material loss contingency between $84 and $163 million required by Generally Accepted Accounting Principles. Our report includes a reference to other auditors who audited the financial statements of the Montana State University component units and the University of Montana component units, as described in our report on the State of Montana's financial statements. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Montana's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe the deficiency described below is a material weakness.

The Department of Public Health and Human Services (DPHHS) did not design and maintain adequate internal control over eligibility determinations in the Medicaid and Children's Health Insurance Program (CHIP) during fiscal year 2019. Total expenditures under the programs were $1.5 billion and $104 million, respectively. The department's internal controls were not sufficiently designed to identify and remove participants from the Medicaid or CHIP programs when participants misrepresent their household composition, sources of income, and residency in order to circumvent the programs' eligibility requirements.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the deficiency described below to be a significant deficiency.

The DPHHS does not have adequate internal controls to ensure transactions are processed in compliance with federal Supplemental Nutrition Assistance Program (SNAP) requirements. DPHHS did not receive a System and Organization Controls (SOC)-1 Type 2 report over their service provider that is responsible for settlement, or payment, to retailers that have agreed to accept Electronic Benefit Transactions (EBT) cards for food. EBT payments for SNAP for fiscal year 2019 were approximately $149 million. Without the SOC-1 Type 2 report, the department has no assurance that system processing is complete, accurate, timely, and authorized which are necessary for adequate internal controls.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instances of noncompliance are described below.

The Montana Public Employees' Retirement Board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound. The actuarial valuations as of June 30, 2019, indicate the Game Wardens' and Peace Officers,' Highway Patrol Officers,' and Public Employees' retirement systems are not actuarially sound as they amortize in 53, 42, and 36 years, respectively. The maximum allowable amortization period is 30 years, as defined by state law.

At DPHHS, a significant number of clients receiving benefits under the department's federal Medicaid and CHIP may not meet the applicable eligibility criteria. Likely questioned costs associated with payments made to ineligible recipients in fiscal year 2019 are projected to be between $41.6 million and $81.2 million.

State of Montana's Response to Findings

The State of Montana's response to the findings identified in the report are described in the separately issued Department of Public Health and Human Services audit report (19-14), the separately issued Public Employees' Retirement Administration audit report (18-08B), and on B-1 of this report. The responses in those reports were not subjected to the auditing procedures applied in those audits and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 13, 2020

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2019, and the related notes which collectively comprise the state of Montana's basic financial statements, as follows:

- Statement of Net Position
- Statement of Activities
- Balance Sheet–Governmental Funds
- Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances–Governmental Funds
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- Statement of Fund Net Position–Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Fund Net Position–Proprietary Funds
- Statement of Cash Flows–Proprietary Funds
- Statement of Fiduciary Net Position–Fiduciary Funds
- Statement of Changes in Fiduciary Net Position–Fiduciary Funds

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State University (MSU) component units and the University of Montana (UM) component units, which represents 15.46 percent, 31.44 percent, and

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5.51 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the university component units, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the MSU and UM component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the state of Montana's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	**Type of Opinion**
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
General Fund	Qualified
State Special Revenue Fund	Unmodified
Federal Special Revenue Fund	Qualified
Land Grant	Unmodified
Coal Severance Tax	Unmodified
Unemployment Insurance	Unmodified
Economic Development Bonds	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions

The Financial Statements do not disclose a loss contingency related to questioned costs between $84,000,000 and $163,100,000 of payments made to recipients who may not be eligible for the Medicaid and Children's Health Insurance Program for fiscal years 2018 and 2019 at the state of Montana's Department of Public Health and Human Services. The associated federal findings will be submitted to the Federal Audit Clearinghouse by March 31, 2020 as part of the State of Montana's Single Audit Report. Once submitted, the federal grantor agency is responsible for issuing a management decision regarding the findings and any expected repayment of disallowed costs.

Accounting principles generally accepted in the United State of America require a loss contingency of this magnitude be disclosed. The questioned costs represent a range of costs paid by the federal government which it could disallow, requiring the state to return the federal share. While a contingency is a future event or circumstance which is possible but cannot be predicted with certainty, the likelihood of loss of this contingency is more than remote and therefore disclosure is required.

The omitted disclosure affects both the Federal Special Revenue Fund and General Fund opinion units because the questioned costs are expenditures in the Federal Special Revenue Fund and the General Fund is the only immediate option as alternative funding source if repayment is required.

Qualified Opinions

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position as of June 30, 2019, and the results of operations of the General Fund and Federal Special Revenue Fund major funds of the state of Montana for the year then ended in accordance with the accounting principles generally accepted in the United State of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and Business-Type Activities, State Special Revenue Fund, Land Grant, Coal Severance Tax, Unemployment Insurance and Economic Development Bonds major funds, and the Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information of the state of Montana, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits (OPEB) Plan Information, and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

February 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Comprehensive Annual Financial Report (CAFR). This narrative overview and analysis of the financial activities of the State of Montana are for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS

Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2019 by $9.7 billion compared with $8.9 billion at the end of fiscal year 2018, representing a 9.0% increase in net position. Component units reported net position of $2.1 billion at the end of fiscal year 2019 compared to $2.1 billion at the end of fiscal year 2018, representing a 0.9% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2019, the State's governmental funds reported combined ending fund balances of $4.5 billion compared with $4.0 billion at fiscal year 2018. This represents a $510.9 million (12.7%) increase in total fund balance. Of the 2019 balance, $1.8 billion is not in spendable form, primarily as permanent fund principal. Thus, $2.7 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: $1.1 billion restricted, $1.3 billion committed, $18.0 million assigned, and $348.6 million unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2019 in the amount of $482.6 million compared with fiscal year 2018 net position of $431.5 million. Of the 2019 business-type activity net position, $21.3 million was reported as net investment in capital assets. Net position of $461.3 million was in spendable form with $19.0 million unrestricted and $442.3 million restricted to expenditure for a specific purpose. This represents a $51.2 million (12.5%) increase in spendable net position from the fiscal year 2018 balance of $410.1 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities decreased by $32.2 million, from $159.3 million in fiscal year 2018 to $127.1 million, a 20.2% decrease in fiscal year 2019.

Further detail relating to the State's long-term debt is provided in *notes to the financial statement's* Note 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements*. These financial statements also include the

notes to the financial statements, which provide further detail and information related to the balances of the financial statements.

Government-wide Financial Statements
The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

Business-type Activities – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, and two universities.

Fund Financial Statements - Reporting the State's Major Funds
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

Governmental Funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating

the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

Fiduciary Funds – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position increased from the last fiscal year, as reflected in the $802.9 million increase (9.0%) in net position. This improvement resulted from continued economic growth, particularly related to tax revenue, capital grants and contributions, and investment earnings within the State.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled $9.7 billion at the end of fiscal year 2019. Net position of both governmental and business-type activities increased by $751.9 million (8.9%) and $51.1 million (11.8%), respectively. These changes are explained in detail in the major fund analysis below.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in net investment in capital assets and restricted net position categories, along with a negative balance in the unrestricted category of net position, for both the governmental activities and the primary government as a whole. The negative unrestricted net position is primarily due to the State's net pension liability. GASB Statements No. 68 and 71, related to pension liabilities and other balance sheet components, were implemented in fiscal year 2015 and are contributing factors to the negative net position. The State also reported positive balances for all categories of net position for the business-type activities.

Net Position
June 30,
(expressed in thousands)

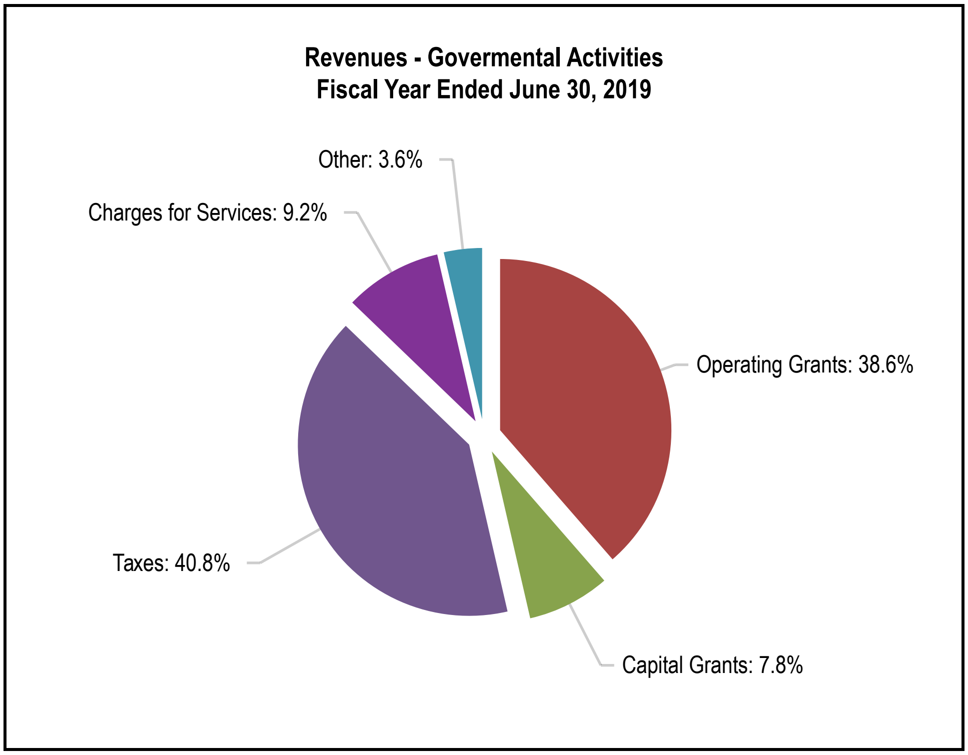
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Current and other assets	$ 5,262,514	$ 5,762,815	$ 582,328	$ 629,612	$ 5,844,842	$ 6,392,427
Capital assets	6,190,693	6,480,485	21,627	21,283	6,212,320	6,501,768
Total assets	11,453,207	12,243,300	603,955	650,895	12,057,162	12,894,195
Deferred outflows of resources	372,886	779,931	4,011	2,919	376,897	782,850
Long-term liabilities Due in more than one year	2,279,169	2,639,113	23,527	20,277	2,302,696	2,659,390
Other liabilities	1,029,316	976,135	152,122	147,328	1,181,438	1,123,463
Total liabilities	3,308,485	3,615,248	175,649	167,605	3,484,134	3,782,853
Deferred inflows of resources	73,544	212,056	831	3,641	74,375	215,697
Net investment in capital assets	6,088,211	6,402,612	21,395	21,266	6,109,606	6,423,878
Restricted	2,998,805	3,216,332	397,588	442,306	3,396,393	3,658,638
Unrestricted	(642,952)	(423,017)	12,503	18,996	(630,449)	(404,021)
Total net position	$ 8,444,064	$ 9,195,927	$ 431,486	$ 482,568	$ 8,875,550	$ 9,678,495

The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

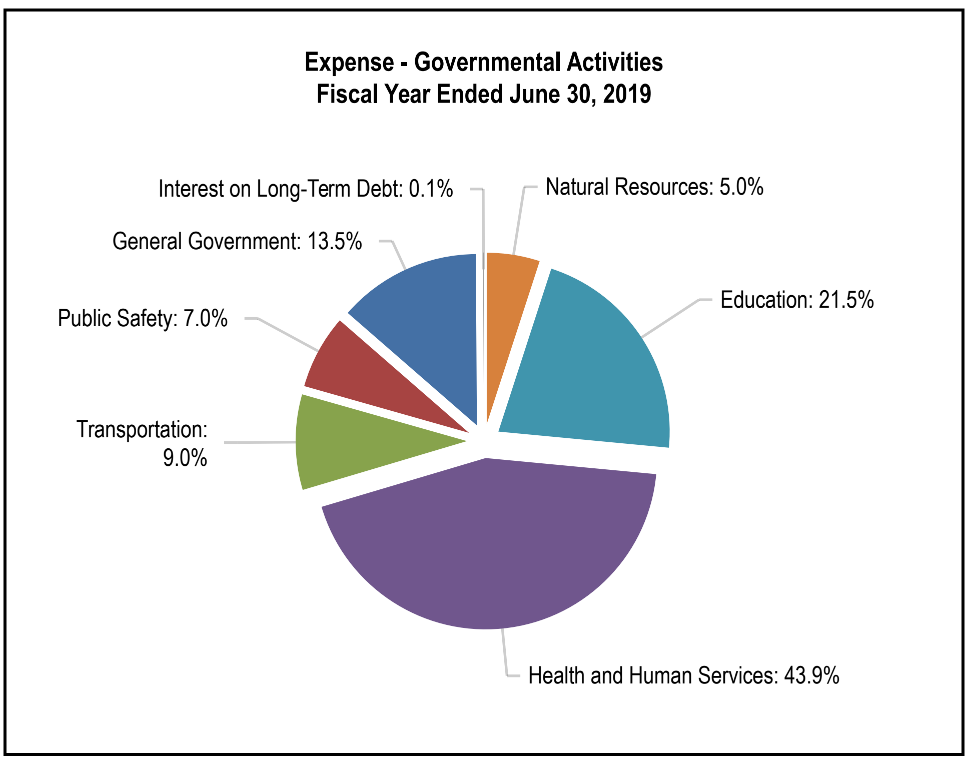
Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**
Revenues:						
Program revenues						
Charges for services	$ 594,814	$ 623,732	$ 404,890	$ 426,701	$ 999,704	$ 1,050,433
Operating grants	2,555,898	2,611,941	65,885	68,243	2,621,783	2,680,184
Capital grants	447,018	527,900	685	512	447,703	528,412
General revenues						
Taxes	2,625,077	2,762,972	28,846	30,094	2,653,923	2,793,066
Other	69,101	248,070	4,019	2,398	73,120	250,468
Total revenues	6,291,908	6,774,615	504,325	527,948	6,796,233	7,302,563
Expenses:						
General government	674,329	829,657			674,329	829,657
Public safety	429,760	428,514			429,760	428,514
Transportation	527,927	547,907			527,927	547,907
Health and human service	2,681,151	2,680,251			2,681,151	2,680,251
Education	1,299,423	1,314,785			1,299,423	1,314,785
Natural resources	379,525	302,680			379,525	302,680
Interest on long-term debt	6,743	5,454			6,743	5,454
Unemployment Insurance			113,843	108,507	113,843	108,507
Liquor Stores			86,118	89,971	86,118	89,971
State Lottery			45,896	48,061	45,896	48,061
Municipal Finance Programs			2,648	2,937	2,648	2,937
Hail Insurance			576	933	576	933
Gen Govt Services			73,539	70,154	73,539	70,154
Prison Funds			9,130	9,307	9,130	9,307
MUS Group Insurance			88,912	88,330	88,912	88,330
MUS Workers Comp			2,738	3,887	2,738	3,887
Total expenses	5,998,858	6,109,248	423,400	422,087	6,422,258	6,531,335
Increase (decrease) in net position before transfers	293,050	665,367	80,925	105,861	373,975	771,228
Transfers	48,854	55,786	(48,854)	(55,786)	—	—
Change in net position	341,904	721,153	32,071	50,075	373,975	771,228
Net position, beg of year (as adjusted)	8,102,160	8,474,774	399,415	432,493	8,501,575	8,907,267
Net position, end of year	$ 8,444,064	$ 9,195,927	$ 431,486	$ 482,568	$ 8,875,550	$ 9,678,495

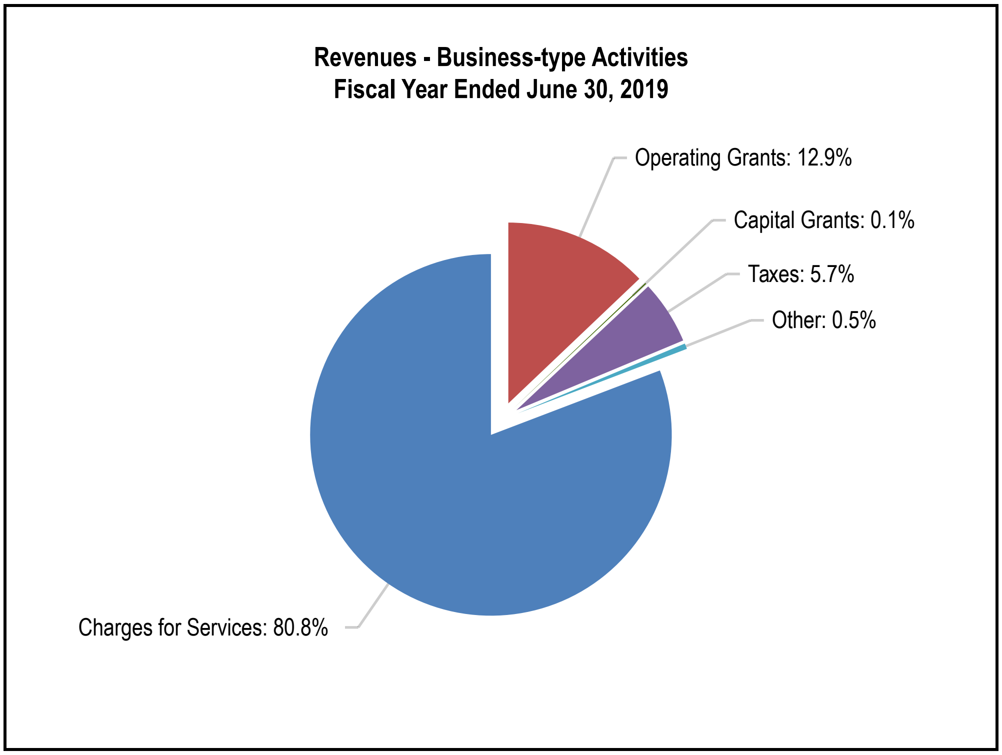
Governmental Activities
The following chart depicts revenues of the governmental activities for the fiscal year:



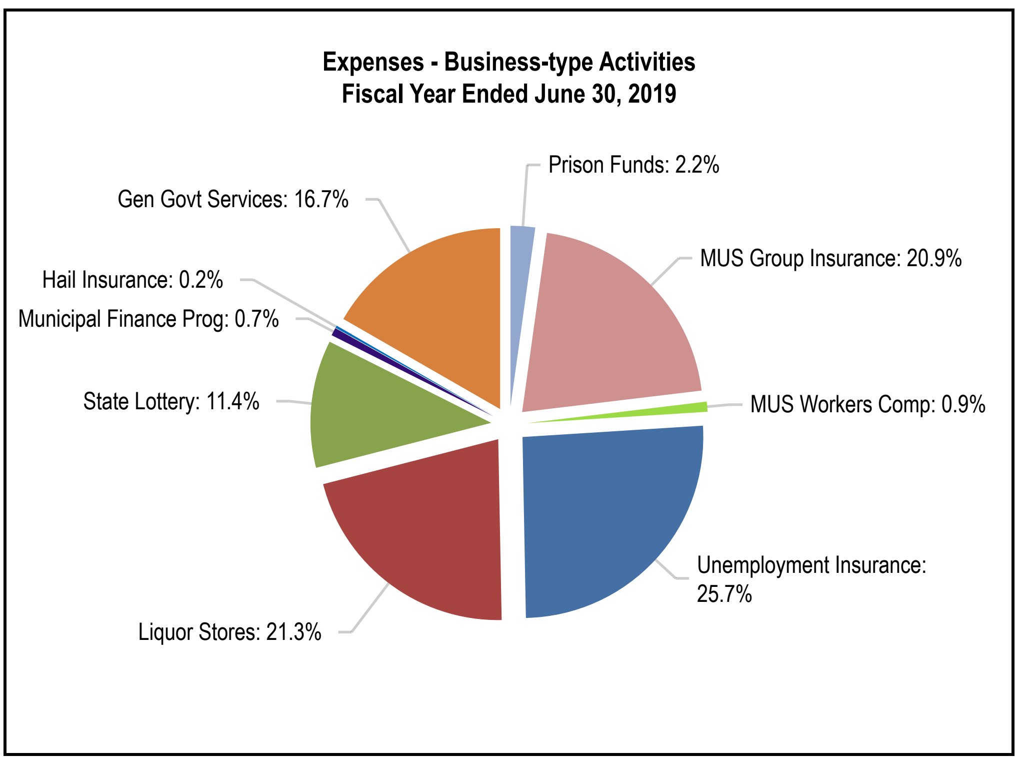
The following chart depicts expenses of the governmental activities for the fiscal year:



Business-type Activities
The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of $4.5 billion. Of this total, $2.7 billion (60.6%) constitutes spendable fund balance and $1.8 billion (39.4%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2019, the total fund balance of the General Fund was reported at approximately $443.4 million. Of this balance, $4.2 million is non-spendable. The remaining $439.2 million is spendable with $60.7 million committed, $17.2 million assigned, and $361.3 million unassigned. This represents 16.0% of the $2.7 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, $17.2 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of $60.7 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by $244.1 million when compared to the previously reported fund balance of $199.3 million. Changes in both expenditures and revenues are discussed in detail below. The Governor's Budget, as disclosed in the State of Montana Biennial Balance Sheet, dated November 15, 2018, showed enacted and proposed fund balance for the General Fund of $168.5 million for fiscal year 2019, without regard to a fund balance spend down.

General Fund Revenues – Total General Fund revenues were $2.5 billion for fiscal year 2019 (lower than legislative estimation), a 8.2% increase from the $2.3 billion reported in 2018 (which were lower than legislative estimation). Fiscal year 2019 tax revenue increased by 8.3% in total over 2018, with corporate income tax collections up 11.8% and individual income tax collections increased by 10.5%. Other noted increases in revenues included investment earnings.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2019 increased by $53.4 million (2.4%). This increase in expenditures occurred in the general government, health and human services, and education functions as follows:

- General Government expenditures increased by $10.0 million (2.9%)
- Health and human services expenditures increased by $9.2 million (1.8%)
- Education expenditures increased by $28.6 million (2.8%)

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2019, general fund appropriations that reverted to 2020 were $42.4 million.

The Department of Public Health and Human Services had unspent appropriations of $19.1 million related to Medicaid savings and other operational costs.

The Office of Public Instruction had unspent appropriations of $7.5 million related to operational transfers and education costs.

The Department of Corrections had unspent appropriations of $5.8 million related to mitigation of expenditures and community placement into alternative programs.

The Judicial Branch had unspent appropriations of $3.3 million related to supplemental transfers and operations costs.

The Department of Legislative Services had unspent appropriations of $1.9 million related to operational costs and the reserve accounts.

The Department of Justice had unspent appropriations of $1.2 million related to operational costs, retirement transfers, and sobriety testing program costs.

The Department of Administration had unspent appropriations of $1.2 million, and these were attributable to supplemental transfers, banking charges, and other operational costs.

The remaining unspent appropriation of $2.2 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund
The fund balance of the State Special Revenue Fund increased by $112.8 million to $1.7 billion. Revenues increased by $85.9 million (8.9%) and expenditures increased $13.9 million (1.3%), for fiscal year 2019. The largest increases in revenues are attributable to an increase in investment earnings, grants/contracts/donations, and charges for services, along with licenses and permits. The largest increases in expenditures are attributable to capital outlay expenditures for infrastructure and land easements. Other financing sources, such as insurance proceeds, increased due to claims for damage suffered to MSU buildings.

Federal Special Revenue Fund
The fund balance of the Federal Special Revenue Fund decreased by $2.5 million (25.3%) to the balance of negative $12.6 million. Revenues and expenditures increased by $83.5 million (2.9%) and $62.1 million (2.2%) respectively, for the fiscal year 2019. Revenue increases are attributable to increases in federal program revenue, while expenditure increases are attributable to increases in capital outlay related expenditures. The capital outlay expenditure increase of 21.1% is attributable to infrastructure expenditure increases by transportation.

Coal Severance Tax Permanent Fund
The fund balance of the Coal Severance Tax Permanent Fund increased by $65.8 million (6.0%) to $1.2 billion. Revenue increased by $66.3 million (168.7%) to $105.7 million, primarily due to an increase of investment revenue in the equity in pooled investments. Transfers out, which decreased by $4.2 million (9.5%), and the increase in investment earnings helped lead to the increase in fund balance.

Land Grant Permanent Fund
The fund balance of the Land Grant Permanent Fund increased by $64.0 million (9.0%) to $774.2 million. Revenue increased by $64.7 million to a total of $129.7 million, and investment earnings made up $54.6 million of the increase. Transfers out were $66.4 million, which was an increase of $4.2 million compared to 2018. The increase in revenue combined with the increase in transfers lead to an overall increase in fund balance.

Unemployment Insurance Enterprise Fund
Net position restricted for unemployment compensation increased by $37.3 million (11.9%). The increase in net position reflects the continued impact of low unemployment throughout fiscal year 2019, accompanied by an increase in the taxable wage base from $32.0 thousand to $33.0 thousand in 2019.

Municipal Finance Programs Fund
Net position increased by 6.0% to $5.4 million in fiscal year 2019. Financing income revenue increased $212.0 thousand, and investment earnings increased $433.0 thousand, while expenses from interest expense increased $349.0 thousand. Overall revenues and expenditures increased 25.0% and 10.9%, which resulted in an increase of $304.0 thousand to net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets
The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2019, amounted to $8.9 billion, with related accumulated depreciation of $2.4 billion, leaving a net book value of $6.5 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was $289.4 million or 4.7% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the *notes to the financial statements*.

Debt Administration

Montana continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2018.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt decreased from $84.5 million at June 30, 2018, to $73.1 million at June 30, 2019. There is cash available, of $7.5 million at the end of fiscal year 2019, in debt service funds to service general obligation debt.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount *(in thousands)*	Percentage of Personal Income (1)	State Debt Per Capita (2)
General obligation debt	$ 73,090	0.15 %	$ 69
Total State debt (3)	$ 132,228	0.30 %	$ 125

(1) Based on personal income for calendar year 2018.
(2) Based on estimated 2018 Montana population.
(3) Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/installment purchase payable for the percentage and state debt per capita.

More detailed information regarding the State's long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

ECONOMIC CONDITION AND OUTLOOK

Montana's primary economic base remains concentrated in nonresident travel, agriculture, and mining, as well as service-providing industries. Per the 2019 Labor Day Report issued by the Montana Department of Labor and Industry, Montana had real wage gains of 0.8% in 2019, which was faster than the rate of inflation. Montana's unemployment rate has continued to remain low, and the rate in July 2019 was 3.4% with the national rate around 3.7%. Montana added roughly 5,400 jobs in 2018, for a growth rate of 1.1%. Montana had an estimated 1,062,305 population as of July 1, 2018. The Montana labor market has total nonfarm workers of 484,700 in August 2019 as compared to 479,800 in September 2018. Montana's real GDP growth over the time period 2017 to 2018 was .09%, while the nation change was 2.9%. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement System (PERS-DBRP) were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2019.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

STATEMENT OF NET POSITION
JUNE 30, 2019
(amounts expressed in thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Cash/cash equivalents (Note 3)	$ 1,612,746	$ 494,837	$ 2,107,583	$ 470,957
Receivables (net) (Note 4)	519,928	43,731	563,659	149,579
Due from primary government	—	—	—	1,339
Due from other governments	338,388	209	338,597	29,945
Due from component units	1,075	3,228	4,303	204
Internal balances	9,860	(9,860)	—	—
Inventories	27,742	5,022	32,764	4,884
Advances to component units	14,476	22,119	36,595	—
Long-term loans/notes receivable	513,144	39,516	552,660	579,706
Equity in pooled investments (Note 3)	2,432,243	18,314	2,450,557	49,230
Investments (Note 3)	212,810	8,355	221,165	2,092,058
Securities lending collateral (Note 3)	27,994	211	28,205	669
Net pension asset (Note 6)	42,459	—	42,459	—
Other assets	9,950	3,930	13,880	68,103
Depreciable capital assets and infrastructure, net (Note 5)	4,303,317	9,956	4,313,273	862,632
Land and nondepreciable capital assets (Note 5)	2,177,168	11,327	2,188,495	112,661
Total assets	12,243,300	650,895	12,894,195	4,421,967
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	779,931	2,919	782,850	77,440
LIABILITIES				
Accounts payable (Note 4)	688,447	20,233	708,680	115,385
Lottery prizes payable	—	3,434	3,434	—
Due to primary government	—	—	—	4,303
Due to other governments	31,440	113	31,553	32
Due to component units	1,339	—	1,339	204
Due to pension trust funds	32,587	—	32,587	—
Advances from primary government	—	—	—	36,595
Unearned revenue	30,837	2,205	33,042	92,702
Amounts held in custody for others	23,303	30	23,333	14,804
Securities lending liability (Note 3)	27,994	211	28,205	669
Other liabilities	5,998	2,211	8,209	22,400
Short-term debt (Note 11)	—	105,065	105,065	—
Long-term liabilities (Note 11):				
Due within one year	134,190	13,826	148,016	184,054
Due in more than one year	364,339	7,327	371,666	1,688,809
Net pension liability (Note 6)	2,220,765	11,943	2,232,708	193,190
Total OPEB liability (Note 7)	54,009	1,007	55,016	39,694
Total liabilities	3,615,248	167,605	3,782,853	2,392,841
DEFERRED INFLOWS OF RESOURCES (Note 4)	212,056	3,641	215,697	35,704

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET POSITION				
Net investment in capital assets	$ 6,402,612	$ 21,266	$ 6,423,878	$ 685,339
Restricted for:				
General government	4,691	—	4,691	—
Transportation	85,939	—	85,939	—
Natural resources	589,869	—	589,869	—
Public safety	220,927	—	220,927	—
Education	7,214	—	7,214	—
Funds held as permanent investments:				
Nonexpendable	1,760,945	—	1,760,945	427,988
Expendable	546,747	—	546,747	—
Unemployment compensation	—	351,527	351,527	—
Montana Board of Housing	—	—	—	157,475
Other purposes	—	90,779	90,779	243,107
Unrestricted	(423,017)	18,996	(404,021)	556,953
Total net position	$ 9,195,927	$ 482,568	$ 9,678,495	$ 2,070,862

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

		PROGRAM REVENUES			
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	$ 829,657	$ 185,120	$ 132,246	$ 936	$ (511,355)
Public safety	428,514	180,998	55,948	—	(191,568)
Transportation	547,907	31,019	67,711	500,444	51,267
Health and human services	2,680,251	44,517	2,015,043	—	(620,691)
Education	1,314,785	2,106	199,726	495	(1,112,458)
Natural resources	302,680	179,972	141,267	26,025	44,584
Interest on long-term debt	5,454	—	—	—	(5,454)
Total governmental activities	6,109,248	623,732	2,611,941	527,900	(2,345,675)
Business-type activities:					
Unemployment Insurance	108,507	129,394	15,546	—	36,433
Liquor Stores	89,971	104,456	—	—	14,485
State Lottery	48,061	60,269	—	—	12,208
Municipal Finance Programs	2,937	41	3,199	—	303
Hail Insurance	933	1,032	44	—	143
Other Service	70,154	25,871	46,114	512	2,343
Prison Funds	9,307	7,864	—	—	(1,443)
MUS[1] Group Insurance	88,330	97,774	2,722	—	12,166
MUS[1] Workers Compensation	3,887	—	618	—	(3,269)
Total business-type activities	422,087	426,701	68,243	512	73,369
Total primary government	$ 6,531,335	$ 1,050,433	$ 2,680,184	$ 528,412	$ (2,272,306)
Component units:					
Montana Board of Housing	$ 22,715	$ 1,802	$ 24,873	$ —	$ 3,960
Facility Finance Authority	696	831	188	—	323
Montana State Fund	228,399	161,259	—	—	(67,140)
Montana State University	601,728	288,465	205,073	15,551	(92,639)
University of Montana	455,815	180,684	134,960	20,299	(119,872)
Total component units	$ 1,309,353	$ 633,041	$ 365,094	$ 35,850	$ (275,368)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Changes in net position:				
Net (expense) revenue	$ (2,345,675)	$ 73,369	$ (2,272,306)	$ (275,368)
General revenues:				
Taxes:				
Property	305,126	—	305,126	—
Fuel	261,687	—	261,687	—
Natural resource	210,004	—	210,004	—
Individual income	1,416,716	—	1,416,716	—
Corporate income	186,172	—	186,172	—
Other (Note 1)	383,267	30,094	413,361	—
Unrestricted grants and contributions	471	—	471	109
Settlements	27,713	—	27,713	—
Unrestricted investment earnings	201,926	142	202,068	19,520
Transfers from primary government	—	—	—	231,480
Gain (loss) on sale of capital assets	7,320	7	7,327	(768)
Miscellaneous	10,640	2,249	12,889	479
Contributions to term and permanent endowments	—	—	—	35,873
Transfers between primary government	55,786	(55,786)	—	—
Total general revenues, contributions, and transfers	3,066,828	(23,294)	3,043,534	286,693
Change in net position	721,153	50,075	771,228	11,325
Total net position - July 1 - as previously reported	8,444,064	431,486	8,875,550	2,053,358
Adjustments to beginning net position (Note 2)	30,710	1,007	31,717	6,179
Total net position - July 1 - as adjusted	8,474,774	432,493	8,907,267	2,059,537
Total net position - June 30	$ 9,195,927	$ 482,568	$ 9,678,495	$ 2,070,862

[1]Montana University System

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	$ 473,700	$ 807,146	$ 57,604
Receivables (net)	292,305	121,979	76,683
Interfund loans receivable (Note 12)	73,970	83,777	—
Due from other governments	11,894	843	325,648
Due from other funds (Note 12)	31,013	10,186	2,886
Due from component units	—	905	—
Inventories	3,501	19,910	—
Equity in pooled investments (Note 3)	—	366,834	—
Long-term loans/notes receivable	—	485,826	4,870
Advances to other funds (Note 12)	363	39,017	—
Advances to component units	—	6,888	—
Investments (Note 3)	6,559	33,125	746
Securities lending collateral (Note 3)	—	4,222	—
Other assets	2,684	6,174	177
Total assets	$ 895,989	$ 1,986,832	$ 468,614
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 257,045	$ 174,448	$ 237,821
Interfund loans payable (Note 12)	—	3,152	152,611
Due to other governments	221	29,481	1,739
Due to other funds (Note 12)	2,870	13,491	936
Due to component units	32,645	309	973
Advances from other funds (Note 12)	—	6,836	36,209
Unearned revenue	2,612	23,312	9,563
Amounts held in custody for others	6,720	12,546	3,981
Securities lending liability (Note 3)	—	4,222	—
Other liabilities	—	521	—
Total liabilities	302,113	268,318	443,833
DEFERRED INFLOWS OF RESOURCES	150,467	4,680	37,395
Fund balances (Note 14):			
Nonspendable	4,197	20,806	119
Restricted	—	1,077,150	—
Committed	60,721	615,878	—
Assigned	17,178	—	—
Unassigned	361,313	—	(12,733)
Total fund balances	443,409	1,713,834	(12,614)
Total liabilities, deferred inflows of resources, and fund balances	$ 895,989	$ 1,986,832	$ 468,614

The notes to the financial statements are an integral part of this statement.

PERMANENT COAL SEVERANCE TAX	PERMANENT LAND GRANT	NONMAJOR	TOTAL
$ 53,851	$ 16,870	$ 64,881	$ 1,474,052
10,993	2,406	6,872	511,238
—	—	—	157,747
—	—	—	338,385
5	—	1,619	45,709
108	—	—	1,013
—	—	—	23,411
925,242	754,949	364,948	2,411,973
—	—	22,448	513,144
1,725	—	6,773	47,878
7,589	—	—	14,477
157,935	—	—	198,365
10,649	8,689	4,200	27,760
—	—	—	9,035
$ 1,168,097	$ 782,914	$ 471,741	$ 5,774,187
$ —	$ —	$ 2,668	$ 671,982
1,678	—	357	157,798
—	—	—	31,441
33	—	703	18,033
—	—	—	33,927
—	—	7,423	50,468
—	—	—	35,487
—	32	25	23,304
10,649	8,689	4,200	27,760
—	—	—	521
12,360	8,721	15,376	1,050,721
—	—	311	192,853
622,645	774,193	362,256	1,784,216
—	—	30,892	1,108,042
533,092	—	62,129	1,271,820
—	—	805	17,983
—	—	(28)	348,552
1,155,737	774,193	456,054	4,530,613
$ 1,168,097	$ 782,914	$ 471,741	$ 5,774,187

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

(amounts expressed in thousands)

Total fund balances - governmental funds		$ 4,530,613
Amounts reported for governmental activities in the Statement of Net Position are different due to:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):		
Depreciable capital assets and infrastructure, net	$ 4,303,317	
Land and nondepreciable capital assets	2,177,168	6,480,485
Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.		779,931
Other assets not available in the current period and therefore are not reported in the governmental funds:		
Net pension asset		42,459
Long-term receivables		(363)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities and of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.		166,913
Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.		(11,605)
A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.		(19,203)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):		
Other long-term liabilities	(498,529)	
Net pension liability	(2,220,765)	
Total OPEB liability	(54,009)	(2,773,303)
Total net position - governmental activities		$ 9,195,927

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

		SPECIAL REVENUE	
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	$ 126,135	$ 234,410	$ —
Taxes:			
Natural resource	86,211	83,705	—
Individual income	1,419,959	—	—
Corporate income	186,012	—	—
Property	288,070	17,057	—
Fuel	—	261,290	—
Other	241,604	141,023	1
Charges for services/fines/forfeits/settlements	37,153	120,533	6,786
Investment earnings	23,647	40,606	599
Securities lending income	—	110	—
Sale of documents/merchandise/property	314	10,374	15
Rentals/leases/royalties	10	1,090	—
Contributions/premiums	5,833	28,745	—
Grants/contracts/donations	8,261	50,158	17
Federal	21,475	7,489	2,848,049
Federal indirect cost recoveries	157	54,411	82,051
Other revenues	5,863	3,488	1,306
Total revenues	2,450,704	1,054,489	2,938,824
EXPENDITURES			
Current:			
General government	360,596	196,219	90,512
Public safety	313,996	94,379	18,566
Transportation	—	242,915	116,829
Health and human services	526,712	168,847	2,006,938
Education	1,036,533	82,462	196,400
Natural resources	32,012	194,083	82,386
Debt service:			
Principal retirement	15	634	39
Interest/fiscal charges	216	226	6
Capital outlay	3,579	72,932	398,090
Securities lending	—	67	—
Total expenditures	2,273,659	1,052,764	2,909,766
Excess of revenue over (under) expenditures	177,045	1,725	29,058
OTHER FINANCING SOURCES (USES)			
Inception of lease/installment contract	234	555	19
Insurance proceeds	2	13,783	—
General capital asset sale proceeds	89	872	71
Refunding bond issued	—	—	—
Payment to refunding bond escrow agent	—	—	—
Energy conservation loans	—	271	—
Transfers in (Note 12)	122,579	175,613	2,368
Transfers out (Note 12)	(58,976)	(80,541)	(32,086)
Total other financing sources (uses)	63,928	110,553	(29,628)
Net change in fund balances	240,973	112,278	(570)
Fund balances - July 1 - as previously reported	199,319	1,601,060	(10,069)
Adjustments to beginning fund balance (Note 2)	2,819	(624)	(1,975)
Fund balances - July 1 - as adjusted	202,138	1,600,436	(12,044)
Increase (decrease) in inventories	298	1,120	—
Fund balances - June 30	$ 443,409	$ 1,713,834	$ (12,614)

The notes to the financial statements are an integral part of this statement.

PERMANENT			
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL
$ —	$ 1,844	$ —	$ 362,389
30,638	—	9,389	209,943
—	—	—	1,419,959
—	—	—	186,012
—	—	—	305,127
—	—	—	261,290
—	—	1,585	384,213
—	—	11,243	175,715
74,764	56,691	39,122	235,429
257	210	98	675
—	11,717	—	22,420
—	59,126	—	60,226
—	—	—	34,578
—	106	—	58,542
—	—	—	2,877,013
—	—	—	136,619
—	19	—	10,676
105,659	129,713	61,437	6,740,826
—	—	105	647,432
—	—	244	427,185
—	—	—	359,744
—	—	1,411	2,703,908
—	—	12	1,315,407
—	4,488	43	313,012
—	—	27,180	27,868
—	—	6,072	6,520
—	1,722	16,744	493,067
158	129	60	414
158	6,339	51,871	6,294,557
105,501	123,374	9,566	446,269
—	—	—	808
—	—	—	13,785
—	6,976	8	8,016
—	—	4,575	4,575
—	—	(6,844)	(6,844)
—	—	—	271
275	5	39,984	340,824
(39,989)	(66,359)	(20,450)	(298,401)
(39,714)	(59,378)	17,273	63,034
65,787	63,996	26,839	509,303
1,089,950	710,197	429,241	4,019,698
—	—	(26)	194
1,089,950	710,197	429,215	4,019,892
—	—	—	1,418
$ 1,155,737	$ 774,193	$ 456,054	$ 4,530,613

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(amounts expressed in thousands)

Net change in fund balances - total governmental funds		$ 509,303
Amounts reported for governmental activities in the Statement of Activities are different due to:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):		
Capital outlay	$ 493,067	
Depreciation expense and amortization	(230,093)	262,974
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.		(1,635)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		9,660
Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.		32,344
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.		(91,493)
Change in net position - governmental activities		$ 721,153

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	$ 347,980	$ 27,724	$ 119,133	$ 494,837	$ 138,695
Receivables (net) (Note 4)	4,738	8,367	30,626	43,731	9,056
Interfund loans receivable (Note 12)	—	—	22	22	44
Due from other governments	43	—	166	209	6
Due from other funds (Note 12)	—	1,846	2	1,848	40
Due from component units	—	3,228	—	3,228	63
Inventories	—	—	5,022	5,022	4,331
Short-term investments (Note 3)	—	2,684	—	2,684	—
Securities lending collateral (Note 3)	—	—	211	211	233
Other current assets	—	—	368	368	917
Total current assets	352,761	43,849	155,550	552,160	153,385
Noncurrent assets:					
Advances to other funds (Note 12)	—	5,961	—	5,961	—
Advances to component units	—	22,119	—	22,119	—
Long-term investments (Note 3)	—	701	23,284	23,985	34,714
Long-term notes/loans receivable	507	39,009	—	39,516	—
Other long-term assets	—	2,211	1,351	3,562	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	10,199	10,199	6,069
Equipment	—	3	9,570	9,573	256,368
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	6,887	6,887	6,159
Intangible assets	—	—	2,062	2,062	1,093
Other capital assets	—	—	3,640	3,640	—
Less accumulated depreciation	—	(3)	(16,880)	(16,883)	(160,856)
Total capital assets	—	—	21,283	21,283	108,928
Total noncurrent assets	507	70,001	45,918	116,426	143,642
Total assets	353,268	113,850	201,468	668,586	297,027
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	—	80	2,839	2,919	12,159

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	$ 1,741	$ 681	$ 17,811	$ 20,233	$ 14,347
Lottery prizes payable	—	—	2,477	2,477	—
Interfund loans payable (Note 12)	—	—	—	—	15
Due to other governments	—	—	113	113	—
Due to other funds (Note 12)	—	—	17,691	17,691	1,842
Unearned revenue	—	—	2,205	2,205	1,380
Lease/installment purchase payable (Note 10)	—	—	18	18	3,336
Short-term debt (Note 11)	—	105,065	—	105,065	—
Bonds/notes payable - net (Note 11)	—	—	—	—	290
Amounts held in custody for others	—	—	30	30	—
Securities lending liability (Note 3)	—	—	211	211	233
Estimated insurance claims (Note 8)	—	—	12,717	12,717	23,296
Compensated absences payable (Note 11)	—	19	1,029	1,048	4,135
Arbitrage rebate tax payable (Note 11)	—	43	—	43	—
Total current liabilities	1,741	105,808	54,302	161,851	48,874
Noncurrent liabilities:					
Lottery prizes payable	—	—	957	957	—
Advances from other funds (Note 12)	—	—	—	—	3,371
Lease/installment purchase payable (Note 10)	—	—	—	—	8,119
Bonds/notes payable - net (Note 11)	—	—	—	—	409
Estimated insurance claims (Note 8)	—	—	6,352	6,352	11,757
Compensated absences payable (Note 11)	—	51	923	974	3,635
Arbitrage rebate tax payable (Note 11)	—	1	—	1	—
Net pension liability (Note 6)	—	344	11,599	11,943	52,086
Total OPEB liability (Note 7)	—	20	987	1,007	3,188
Other liabilities	—	2,211	—	2,211	—
Total noncurrent liabilities	—	2,627	20,818	23,445	82,565
Total liabilities	1,741	108,435	75,120	185,296	131,439
DEFERRED INFLOWS OF RESOURCES (Note 4)	—	82	3,559	3,641	11,768
NET POSITION					
Net investment in capital assets	—	—	21,266	21,266	92,265
Restricted for:					
Unemployment compensation	351,527	—	—	351,527	—
Other purposes	—	1,693	89,086	90,779	—
Unrestricted	—	3,720	15,276	18,996	73,714
Total net position	$ 351,527	$ 5,413	$ 125,628	$ 482,568	$ 165,979

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:					
Charges for services	$ 129	$ 41	$ 185,462	$ 185,632	$ 157,190
Investment earnings	8,036	683	3,798	12,517	3,432
Securities lending income	—	—	5	5	14
Financing income	—	2,516	—	2,516	—
Contributions/premiums	129,265	—	111,221	240,486	205,735
Grants/contracts/donations	7,510	—	45,856	53,366	3,380
Other operating revenues	—	—	2,833	2,833	10,154
Total operating revenues	144,940	3,240	349,175	497,355	379,905
Operating expenses:					
Personal services	—	402	15,489	15,891	62,255
Contractual services	—	85	22,089	22,174	37,911
Supplies/materials	—	8	92,234	92,242	21,660
Benefits/claims	108,507	35	137,756	246,298	182,211
Depreciation	—	—	1,013	1,013	16,285
Amortization	—	—	102	102	720
Utilities/rent	—	51	1,189	1,240	7,128
Communications	—	7	1,018	1,025	11,841
Travel	—	4	336	340	577
Repairs/maintenance	—	—	1,114	1,114	25,907
Grants	—	—	—	—	178
Lottery prize payments	—	—	34,492	34,492	—
Securities lending expense	—	—	3	3	7
Arbitrage rebate tax	—	27	—	27	—
Interest expense	—	2,255	14	2,269	512
Other operating expenses	—	63	3,125	3,188	5,695
Total operating expenses	108,507	2,937	309,974	421,418	372,887
Operating income (loss)	36,433	303	39,201	75,937	7,018
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	30,094	30,094	—
Insurance proceeds	—	—	—	—	368
Gain (loss) on sale of capital assets	—	—	(656)	(656)	(208)
Federal indirect cost recoveries	—	—	—	—	10,660
Increase (decrease) value of livestock	—	—	(4)	(4)	—
Total nonoperating revenues (expenses)	—	—	29,434	29,434	10,820
Income (loss) before contributions and transfers	36,433	303	68,635	105,371	17,838
Capital contributions	—	—	622	622	1,687
Transfers in (Note 12)	—	—	94	94	14,371
Transfers out (Note 12)	—	—	(56,012)	(56,012)	(1,550)
Change in net position	36,433	303	13,339	50,075	32,346
Total net position - July 1 - as previously reported	314,210	5,109	112,167	431,486	133,629
Adjustments to beginning net position (Note 2)	884	1	122	1,007	4
Total net position - July 1 - as adjusted	315,094	5,110	112,289	432,493	133,633
Total net position - June 30	$ 351,527	$ 5,413	$ 125,628	$ 482,568	$ 165,979

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	$ 130,815	$ 41	$ 297,394	$ 428,250	$ 361,793
Payments to suppliers for goods and services	(462)	(240)	(117,386)	(118,088)	(107,870)
Payments to employees	—	(425)	(16,601)	(17,026)	(66,920)
Grant receipts (expenses)	7,489	—	45,784	53,273	3,198
Cash payments for claims	(109,510)	—	(137,049)	(246,559)	(174,849)
Cash payments for prizes	—	—	(34,858)	(34,858)	—
Other operating revenues	—	—	2,833	2,833	20,814
Other operating payments	—	—	(3,120)	(3,120)	(5,696)
Net cash provided by (used for) operating activities	28,332	(624)	36,997	64,705	30,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	30,094	30,094	—
Transfer to other funds	—	—	(56,015)	(56,015)	(1,552)
Transfer from other funds	—	—	274	274	14,371
Proceeds from interfund loans/advances	—	(1,788)	—	(1,788)	44
Payment of interfund loans and advances	—	—	(22)	(22)	(887)
Payment of principal and interest on bonds and notes	—	(435)	(14)	(449)	(1,291)
Net cash provided by (used for) noncapital financing activities	—	(2,223)	(25,683)	(27,906)	10,685
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	368
Acquisition of capital assets	—	—	(1,480)	(1,480)	(11,635)
Proceeds from sale of capital assets	—	—	495	495	723
Net cash provided by (used for) capital and related financing activities	—	—	(985)	(985)	(10,544)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	(8,448)	(1,665)	(10,113)	11,306
Proceeds (loss) on sales or maturities of investments	—	10,064	—	10,064	—
Proceeds (loss) from securities lending transactions/ investments	—	—	5	5	14
Interest and dividends on investments	8,036	666	3,800	12,502	3,432
Payment of securities lending costs	—	—	(3)	(3)	(7)
Collections of principal and interest on loans	—	31,181	—	31,181	—
Cash payment for loans	—	(26,977)	—	(26,977)	—
Net cash provided by (used for) investing activities	8,036	6,486	2,137	16,659	14,745
Net increase (decrease) in cash and cash equivalents	36,368	3,639	12,466	52,473	45,356
Cash and cash equivalents, July 1	311,612	24,085	106,667	442,364	93,339
Cash and cash equivalents, June 30	$ 347,980	$ 27,724	$ 119,133	$ 494,837	$ 138,695

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 36,433	$ 303	$ 39,201	$ 75,937	$ 7,018
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	1,013	1,013	16,285
Amortization	—	—	102	102	720
Securities lending expense	—	—	3	3	7
Investment earnings	(8,036)	(683)	(3,800)	(12,519)	(3,432)
Securities lending income	—	—	(5)	(5)	(14)
Financing income	—	(2,516)	—	(2,516)	—
Interest expense	—	2,255	14	2,269	512
Other revenue	—	—	—	—	10,660
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	417	—	1,273	1,690	(1,389)
Decr (Incr) in due from other funds	—	—	9	9	62
Decr (Incr) in due from component units	—	—	—	—	(27)
Decr (Incr) in due from other governments	(21)	—	(71)	(92)	(4)
Decr (Incr) in inventories	—	—	(170)	(170)	(790)
Decr (Incr) in other assets	—	5	(458)	(453)	291
Incr (Decr) in accounts payable	(461)	7	(3,098)	(3,552)	(366)
Incr (Decr) in due to other funds	—	—	4,046	4,046	125
Incr (Decr) in due to other governments	—	—	31	31	—
Incr (Decr) in lottery prizes payable	—	—	(366)	(366)	—
Incr (Decr) in unearned revenue	—	—	6	6	(95)
Incr (Decr) in compensated absences payable	—	8	(27)	(19)	266
Incr (Decr) in total OPEB liability	—	—	64	64	226
Incr (Decr) in estimated claims	—	—	109	109	2,148
Incr (Decr) in other payables	—	(6)	(213)	(219)	(1,648)
Incr (Decr) in net pension liability and related accounts	—	3	(666)	(663)	(85)
Net cash provided by (used for) operating activities	$ 28,332	$ (624)	$ 36,997	$ 64,705	$ 30,470
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	$ —	$ —	$ 622	$ 622	$ 1,687
Incr (Decr) in fair value of investments	—	(18)	(903)	(921)	(1,098)
Total noncash transactions	$ —	$ (18)	$ (281)	$ (299)	$ 589

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	$ 384,487	$ 76,957	$ 1,375,776	$ 14,747
Receivables (net):				
Accounts receivable	21,296	—	—	555
Interest	753	40	2,965	—
Due from primary government	32,587	—	—	—
Due from other PERB plans	606	—	—	—
Long-term loans/notes receivable	13	—	—	—
Total receivables	55,255	40	2,965	555
Investments at fair value:				
Equity in pooled investments (Note 3)	11,474,079	—	12,562	—
Other investments (Note 3)	805,378	170,992	—	—
Total investments	12,279,457	170,992	12,562	—
Securities lending collateral (Note 3)	54,541	—	145	—
Capital Assets:				
Land	36	—	—	—
Buildings/improvements	186	—	—	—
Equipment	96	—	—	—
Construction work in progress	1,505	—	—	—
Accumulated depreciation	(252)	—	—	—
Intangible assets	5,190	—	—	—
Total capital assets	6,761	—	—	—
Other assets	—	39,486	—	254
Total assets	12,780,501	287,475	1,391,448	15,556
DEFERRED OUTFLOWS OF RESOURCES	466	—	—	—
LIABILITIES				
Accounts payable	1,943	187	2,922	776
Due to other PERB plans	605	—	—	—
Unearned revenue	434	—	—	—
Amounts held in custody for others	—	—	—	14,780
Securities lending liability (Note 3)	54,541	—	145	—
Compensated absences payable	554	—	—	—
Net pension liability (Note 6)	1,469	—	—	—
Total OPEB liability (Note 7)	238	—	—	—
Total liabilities	59,784	187	3,067	15,556
DEFERRED INFLOWS OF RESOURCES	324	—	—	—
NET POSITION				
Held in trust for pension benefits	12,704,134	—	—	—
Held in trust for other purposes	16,725	287,288	1,388,381	—
Total net position	$ 12,720,859	$ 287,288	$ 1,388,381	$ —

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS			
Contributions/premiums:			
Employer	$ 258,436	$ —	$ —
Employee	244,080	—	—
Other contributions	115,393	18,439	1,497,949
Net investment earnings:			
Investment earnings	770,064	3,997	30,704
Administrative investment expense	(73,253)	—	—
Securities lending income	2,916	—	3
Securities lending expense	(1,463)	—	(2)
Charges for services	567	—	—
Other additions	868	7,034	—
Total additions	1,317,608	29,470	1,528,654
DEDUCTIONS			
Benefits	928,849	—	—
Refunds	25,585	—	—
Distributions	—	29,337	1,373,628
Administrative expenses:			
Personal services	5,495	—	—
Contractual services	3,534	848	—
Supplies/materials	260	—	—
Depreciation	10	—	—
Amortization	1,288	—	—
Utilities/rent	374	—	—
Communications	209	—	—
Travel	52	—	—
Repair/maintenance	10	—	—
Other operating expenses	281	—	—
Local assistance	11	—	—
Transfers to MUS-RP	232	—	—
Transfers to PERS-DCRP	1,969	—	—
Total deductions	968,159	30,185	1,373,628
Change in net position	349,449	(715)	155,026
Net position - July 1 - as previously reported	12,371,361	288,003	1,233,355
Adjustments to beginning net position (Note 2)	49	—	—
Net position - July 1 - as adjusted	12,371,410	288,003	1,233,355
Net position - June 30	$ 12,720,859	$ 287,288	$ 1,388,381

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units
These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units may be obtained at the following addresses:

Montana Board of Housing
301 South Park, Room 240
PO Box 200528
Helena, MT 59620-0528

Montana State Fund
855 Front Street
PO Box 4759
Helena, MT 59604-4759

Facility Finance Authority
2401 Colonial Drive, 3rd Floor
PO Box 200506
Helena, MT 59620-0506

Universities and Colleges
Commissioner of Higher Education
560 North Park Ave, 4th Floor
PO Box 203201
Helena, MT 59620-3201

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget; the rate or fee changes affecting revenues; and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. It was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed $1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the State of Montana, Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget; the rate or fee changes affecting revenues; and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State

of Montana may be pledged for the amounts so issued. FFA is attached to the State of Montana, Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Comprehensive Annual Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the State of Montana, Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State's Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF handles the administration of the claims of Montana State Fund and State of Montana (Old Fund) including: determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers' compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and Federal Special Revenue Fund.

Fiduciary Fund Component Units
Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers' Retirement System
100 North Park Avenue, Suite 110
PO Box 200139
Helena, MT 59620-0139

Public Employees' Retirement Board
100 North Park, Suite 200
PO Box 200131
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers ten separate plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; the Volunteer Firefighters' Compensation Act; and the State of Montana Deferred Compensation Program (457 Plan) retirement plans. The board also administers an Other Post Employment Benefit (OPEB) disability plan on behalf of Public Employees' Retirement Plan-Defined Contribution members.

PERB is responsible for the ten separate public employee plans, which includes the Deferred Compensation Program, and a separate Other Post Employment Benefit plan. These are reported as pension and other employee benefit trust funds. The board is audited annually by the State's Legislative Audit Division. Further detail related to the PERB is provided in Note 6 and its OPEB plan information is provided in Note 7.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund statements are reported only in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met. Agency funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

Governmental Fund Financial Statements
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements
The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds
General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately an $90.8 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund, however per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a $25.3 million increase. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund.

Proprietary Funds
Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this

fund should be reported within Internal Service Funds. The respective effect on net position is approximately a $4.8 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds
Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans, defined contribution plans, other retirement plans, and other post employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Note 7.

Private-Purpose Trust Funds –To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. Examples include the State's escheated property fund, unliquidated security bonds held on deposit from self-insured employers, environmental reclamation, and bonds held in trust.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

Agency Funds – To account for assets held by the State as an agent for individuals, private organizations, and other governments. For example, various agencies hold deposits pending compliance with performance agreements. Other examples include monies belonging to state institution residents and child support payments from parents.

Major Governmental Funds
The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds
The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined. The funding for the revolving loan program is

from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. In previous years this activity was referred to as the Economic Development Bonds Fund. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided, short-term loans and notes, interest and dividends, taxes due within 60 days of fiscal year-end, and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail related to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local government can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Investments (SMI). SMI participants have direct fixed income, equity, and Montana mortgage and loan investments. SMI investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. Interest incurred during the construction of capital assets for proprietary funds is capitalized. Interest incurred during the construction of capital assets for higher education component units is expensed. The State has chosen to use the depreciation approach for infrastructure assets and is reporting accumulated depreciation on the Statement of Net Position and depreciation expense on the Statement of Activities for these assets. Further detail related to capital assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated or amortized. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

The capitalization limit for buildings and building/land improvements is $25,000. The capitalization threshold for infrastructure and internally-generated software is $500,000. The capitalization threshold for intangible assets is $100,000. The capitalization limit for other capital assets is $5,000. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

K. Deferred Outflows, Deferred Inflows, and Unearned Revenue

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investment, OPEB, and pension related components and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue is recognized as a liability on government-wide, governmental and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

L. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds. Further detail related to leases/installment purchases payable and long-term liabilities is provided in Note 10 and Note 11, respectively.

M. Capital Leases

A capital lease is a lease which transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, on the government-wide, proprietary fund, and fiduciary fund financial statements, a capital asset and a capital lease liability are recorded at the present value of the future minimum lease payments. On the governmental fund financial statements no asset or liability is recorded related to assets under capital leases. Rather, on the governmental fund financial statements, at the inception of a capital lease, capital outlay expenditures, and other financing sources (inception of lease/installment contract) are recorded at the net present value of the minimum lease payments. Further detail related to capital leases is provided in Note 10.

N. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond proceeds and bond premiums are reported as an other financing source, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

O. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. The adjusted ending balance of the pool for June 30, 2018, was 19,310 hours. For fiscal year 2019, 1,708 sick leave hours, 152 annual leave hours, and 305 excess annual leave hours were contributed to the sick leave pool, and 3,491 hours were withdrawn, leaving a balance of 17,984 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

P. Nonexchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA), a discretely presented component unit of the State. BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

Q. Fund Balance/Net Position

Fund Balance

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts, in the assigned fund balance classification, are intended to be used by the government for specific purposes, but they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the

remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. There is not a projected spend down for fiscal year 2020, thus a related assignment of fund balance is not reported at 2019 fiscal year-end.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds, other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

General Fund - Fund Balance

As of June 30, 2019, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2019, committed fund balance in the General Fund of $60.7 million, represents the Budget Stabilization Reserve Fund balance. Additionally, another $57.1 million was transferred to the Budget Stabilization Reserve Fund after the close of fiscal year 2019, in accordance with 2019 Session House Bill requirements.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance is in compliance with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Net Position

In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of $3.7 billion.

Certain investments of the Municipal Finance Programs Fund are classified as restricted net position on the Statement of Fund Net Position for proprietary funds because their use is limited by applicable bond indenture agreements. Net position associated with the Unemployment Insurance Fund is also classified as restricted.

R. Property Taxes

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

S. Other Taxes

On the Statement of Activities, the revenue category "Other Taxes" consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	$ 27,389	$ 36,590	$ —	$ 26	$ 64,005
Agriculture	—	10,406	—	—	10,406
Car rental	4,376	1,459	—	—	5,835
Cigarette/tobacco/etc.	33,307	43,886	1,585	—	78,778
Contractors gross receipts	3,597	—	—	—	3,597
Energy tax	7,456	38	—	—	7,494
Fire protection	—	3,921	—	—	3,921
Hospital benefit assessment	4,350	—	—	—	4,350
Insurance premium	76,108	31,162	—	—	107,270
Light vehicle registration	—	4,234	—	—	4,234
Liquor tax	5,517	2,227	—	30,068	37,812
Livestock	—	4,896	—	—	4,896
Other taxes	154	742	—	—	896
Public service commission	—	2,296	—	—	2,296
Railroad car companies	3,595	—	—	—	3,595
Telephone license	10,804	—	—	—	10,804
Video gaming	63,168	4	—	—	63,172
Total other taxes	$ 239,821	$ 141,861	$ 1,585	$ 30,094	$ 413,361

T. Tax Abatements

In the Montana Board of Investment's (BOI) Commercial Loan Program within the SMI, by statute, the infrastructure loan program is funded by an $80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan and, only upon verification that the entities meet the loan requirements, is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

To be eligible for the program, the basic sector business must create at least 15 full-time basic sector jobs. The maximum loan size is $16.7 thousand times the number of full-time jobs created and the minimum loan size is $250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates 10 or more qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2019, basic sector business entities made total user fee payments of $6.6 million, representing $5.9 million of principal and $723.0 thousand in interest. During the fiscal year ended June 30, 2019, a total of $3.8 million was claimed as a credit against State individual and corporation tax. The following table details the fiscal year 2019 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed

	Tax Year 2018	Tax Year 2017	Total
Corporate income tax	$ —	$ 319	$ 319
Individual income tax	164	3,286	3,450
Total amount claimed	$ 164	$ 3,605	$ 3,769

U. Irrevocable Split Interest Agreements

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2019. Further detail related to these agreements are provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2019, the State of Montana implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset that has future legal obligations required to be performed. This Statement establishes criteria for measuring and recognizing a liability and a corresponding deferred outflow of resources for an ARO. The objective of this Statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the usefulness of the information provided to financial statement users by requiring related disclosures.

For the year ended June 30, 2019, the State of Montana implemented the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). This Statement establishes a definition of debt for purposes of note disclosures to financial statements. This Statement requires that additional essential information related to debt be disclosed, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

B. Adjustments to Beginning Net Position

For the year ended June 30, 2019, there were no material adjustments to beginning net position.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

Cash/cash equivalents	$	4,452,168
Equity in pooled investments	$	13,986,428
Investments	$	3,346,082

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments, held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments, including the BOI Municipal Finance Programs Fund deposits and investments managed by BOI, have been detailed below.

(1) BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the "Prudent Expert Principle" mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the Unified Investment Program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the Unified Investment Program.

BOI is not registered with the US Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and Separately Managed Investments (SMI) participant, which provides BOI staff a broad strategic framework under which the investments are managed. The IPS's also reflect BOI approved asset allocation ranges. By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

As of June 30, 2019, BOI separately managed investments outside of the pools on behalf of 16 participants. The investments are combined for reporting purposes in the SMI portion of the UIP. In prior years, the SMI portion of the UIP was referred to as All Other Funds (AOF). SMI participants include the State Treasurer's Cash Fund, State agency insurance reserves, and other State agencies. SMI participation is at the discretion of BOI staff for State agencies allowed to participate in the UIP.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as SMI.

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

BOI's separately issued Unified Investment Program financial statements include the activity for MSF within SMI on a June 30, 2019, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

(a) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual State agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

(b) Investment securities are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 –Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market prices representing estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.
Level 2 – Prices determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly.
Level 3 – Prices are determined using unobservable inputs.

(c) Security Lending - BOI is authorized by law to lend its securities and has contracted with the custodial bank, to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102.0% of the fair value of domestic securities and 105.0% of the fair value of international securities while the securities are on loan. On any day, including June 30, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings, 80/20 respectively, on security lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers.

During fiscal year 2019, the custodial bank lent BOI's public securities and received as collateral: US dollar cash; US government and government sponsored agency securities; US corporate debt securities and structured securities rated AA-/Aa3 or higher; sovereign debt securities of the Group of Ten nations; and debt securities issued by certain supranational agencies. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2019. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2019 resulting from a borrower default. As of June 30, 2019, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Since the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower. The average duration was 36 days and the average weighted final maturity was 109 days within the Navigator portfolio.

(d) Investment Pools and SMI are described in the following paragraphs.

CAPP

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as modifications are adopted by BOI. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner. Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Equities
- Natural Resources
- Real Estate
- US Treasury Inflation-Protected Securities (TIPS)
- Broad Fixed Income
- US Treasury/Agency
- Investment Grade
- Mortgage Backed Securities
- High Yield
- Cash
- Diversifying Strategies

The CAPP IPS is the only IPS that allows for investments that can be held in non-US securities in a foreign currency. Per the CAPP IPS, the Investment Grade Credit Asset Class, Agency Mortgage Backed Securities Asset Class, and High Yield Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the US dollar value of investments made.

TFIP

The TFIP IPS provides for a 2.0% portfolio limit for dollar denominated debt obligations of domestic and foreign corporations, also known as Yankee bonds, and a 3.0% portfolio limit in non-agency mortgage pass-through (MBS) securities. TFIP invests primarily in investment grade, US dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

STIP

The STIP IPS limits concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for US Treasury and US Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 60 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2019, is detailed as follows:

STIP Reserve
(in thousands)

Beginning STIP Reserve	$	32,565
STIP Reserve activity		
Investment Earnings:		
Net increase (decrease) on fair value of investments		49
Interest income		774
Transfer of daily STIP income		4,927
Recoveries from write offs		9,055
Credit enhancement fees		158
Total STIP Reserve activity		14,963
Ending STIP Reserve	$	47,528

SMI

SMI invests primarily in investment grade, US dollar denominated fixed income securities. However, one participant portfolio has exposure to core real estate. The SMI portfolio also includes Veteran's Home Loan Mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

(e) Investment Risk Disclosures are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk
Custodial credit risk for cash and cash equivalents and investments is the risk that, in the event of the failure of the counterparty to a transaction, BOI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must hold short-term and long-term credit ratings by at least one Nationally Recognized Statistical Rating Organization (NRSRO) with a minimum requirement of A1/P1 (short-term) and A3/A-1 (long-term).

As of June 30, 2019, all the public securities, as well as securities held by the separate public equity account managers, were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the US government are excluded from the concentration of credit risk requirement. Concentration of credit risk for 2019 is addressed within all IPS as set by BOI.

Credit Risk and Interest Rate Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for US government securities, the pools' fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The US government guarantees its securities directly or

indirectly. Obligations of the US government, or obligations explicitly guaranteed by the US government, are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2019 the CAPP's cash equivalents' position held at the custodial bank included $566.4 million unrated held in money market funds and $9.8 million was invested in an overnight repurchase agreement collateralized at 102.0%.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved Approved Issuer list. By STIP policy, permitted money market investments include only SEC registered 2a-7 institutional money market funds that are considered US Treasury or US Government money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2019, all the STIP money market investments were in US Governmental money markets.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMI at fair value investments are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, "The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account."

CAPP, TFIP, SMI, and STIP may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example the Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2019. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 41 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value, BOI determined the cash equivalents to have little discernible interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in US dollars, at fair value and is limited to CAPP.

Counterparty Credit Risk - Investment Derivatives

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The following table depicts BOI's counterparty credit risk exposure to its investment derivatives.

Counterparty Credit Risk - Credit Default Swaps - as of June 30, 2019
(in thousands)

Maximum loss before/after netting and collateral		
Maximum amount of loss BOI would face in case of default of all counterparties, i.e. aggregated (positive) fair value of OTC positions	$	310
Effect of collateral reducing maximum exposure		—
Liabilities subject to netting arrangements reducing exposure		—
Resulting net exposure		310

Other Policy Considerations
For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the TIPS PAC, US Treasury/Agency PAC, Investment Grade Credit PAC, and Agency Mortgage-Backed PAC, average duration will be maintained in a range within 20.0% of the benchmark duration. The Broad Fixed Income PAC and High Yield PAC average duration will be maintained in a range within 25.0% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20.0% of the benchmark duration. Interest rate risk for SMI is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments
The UIP invests in currency forward contract, credit default swaps, index futures (long duration) and warrants which are classified as investment derivatives. The derivatives increased in fair value for the year ended June 30, 2019, by $698.0 thousand. The contracts had a fair value of $400.0 thousand, and the notional amount of the contracts was $14.4 million as of June 30, 2019.

(2) The BOI Municipal Finance Programs Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. The bond trust indenture addresses custodial credit risk, concentration of credit risk, credit risk, interest rate and credit quality risk, by detailing the permitted investments. BOI's STIP IPS details custodial credit risk, concentration of credit risk, and credit risk. Deposits and investments must be made with Montana banks or in the STIP administered by BOI.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI’s custodial bank must hold short-term and long-term credit rating by at least one NRSRO with a minimum requirement of A1/P1 (short-term) and A3/A-1 (long-term).

> Cash – Custodial risk for cash is the risk that, in the event of the failure of the custodial bank, the cash or collateral securities may not be recovered from an outside party. The securities used as collateral are held by the trustee in the name of BOI.
>
> Investments – As of June 30, 2019, the Municipal Finance Programs securities were recorded by the trustee in the name of BOI by specific account.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of any single investment per issuer name. The Municipal Finance Programs investments directly issued or explicitly guaranteed by the US government and investments in mutual funds are excluded from the concentration of credit risk requirement. The STIP investment policy limits concentration of credit risk by limiting portfolio investment types to 3.0% in any issuer with the exception of US Treasury and US Agency securities, as well as, any repurchase agreements with a financial institution. As of June 30, 2019, STIP concentration risk was within the policy as set by BOI.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Municipal Finance Programs US government direct-backed securities, consisting of US Treasury notes and bills, are guaranteed directly by the US government. Obligations of the US government or obligations explicitly guaranteed

by the US government are not considered to have credit risk and do not require disclosure of credit quality. Permitted investments, as described in the indenture, include, "Either (i) long term obligations of such bank, trust company or association are rated in one of the three highest investment category of the Standard & Poor's Corporation or Moody's Investor Service Inc., which investment category shall not be less than the prevailing rate on the bonds or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Bank Insurance Fund or the Savings Association Insurance Fund, or any successor to either, of the Federal Deposit Insurance Corporation (FDIC)."

BOI's STIP IPS specifies that STIP securities have a minimum of two credit ratings as provided by nationally recognized statistical rating organizations, to assist in the monitoring and management of credit risk. The purchase of STIP securities other than US government or US agency obligations are restricted to those which are pre-approved. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Permitted investments as described in the Indenture details the allowable investments, including those in STIP. STIP interest rate risk is determined using the WAM method. According to the STIP IPS, "The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 60 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account."

The Municipal Finance Program investments are categorized to disclose credit and interest rate risk as of June 30, 2019. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using weighted effective duration as calculated by BOI. The credit quality ratings have been calculated excluding non-rated investment types. Both the credit quality ratings and duration have been calculated excluding cash equivalents, as BOI determined that these securities did not contain these risk elements. There were no derivative transactions during the 2019 fiscal year for investments held by the trustee. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, 2019, BOI deemed the cash equivalents to have little discernible interest rate risk.

B. Cash/Cash Equivalents

(1) Cash Deposits – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 – Cash Deposit Amounts
(in thousands)

	Carrying Amount
Cash held by State/State's agent	$ 72,193
Uninsured and uncollateralized cash	9,920
Undeposited cash	577
Cash in US Treasury	353,632
Cash in MSU component units	7,935
Cash in UM component units	16,200
Less: outstanding warrants	(49,688)
	$ 410,769

As of June 30, 2019, the carrying amount of deposits for component units was $207.2 million as included in Table 1.

(2) Cash Equivalents – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be

cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value
Treasuries (1)	$ 174,733
Corporate commercial paper (2)	200,145
Corporate notes (2)	448,909
Certificates of deposit (2)	325,235
Agency or government related (2)	873,181
Money market fund unrated	150,638
STIP cash and cash equivalents (2)	1,995,098
Less: STIP Adjustments (3)	(126,540)
Total cash equivalents	$ 4,041,399

(1) A portion is also included in the Investments Measured at Fair Value and NAV table.
(2) Also included in the Investments Measured at Fair Value and NAV table.
(3) Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2019, local governments had invested $1.4 billion and component units of the State of Montana had invested $551.1 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of June 30, 2019
(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Treasuries	$ 310,466	A-1+
Agency or government related	356,614	A-1+
Asset backed commercial paper	1,116,921	A-1+
Corporate commercial paper	189,596	A-1+
Certificates of deposit	21,501	A-1+
Total cash equivalents	$ 1,995,098	

STIP
Credit Quality Rating and Weighted Average of Maturity as of June 30, 2019
(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	$ 129,877	A-1+	20
Agency or government related	873,181	A-1+	69
Corporate:			
Commercial paper	200,145	A-1+	16
Notes	448,909	A-1+	61
Certificates of deposit	325,235	A-1+	45
Total STIP fixed income investments at fair value	$ 1,977,347		

C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated "Prudent Expert Principle" (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

		Fair Value [1]
CAPP:		
Consolidated asset pension pool	$	11,495,868
TFIP:		
Trust funds investment pool		2,456,087
Total pooled investments		13,951,955
Pool adjustments (net)		34,473
Total equity in pooled investments	$	13,986,428

[1] Includes cash/cash equivalents and investments.

As of June 30, 2019, the fair value of the underlying securities on loan was $595.2 million. Collateral provided for the securities on loan totaled $606.9 million, consisting of $83.4 million in cash and $523.5 million in securities.

As of June 30, 2019, local governments invested $12.3 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2019, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2019
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMI	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	$ 1,337,688	$ 481,464	$ 346,460	$ 2,165,612	AAA	3.21-8.08
Agency or Government Related	218,805	340,285	150,949	710,039	AAA	2.97-4.22
Asset Backed Securities	33,332	75,392	57,708	166,432	AAA	1.88-1.99
Mortgage Backed Securities:						
Noncommercial	356,424	248,265	55,083	659,772	AAA	3.60-4.24
Commercial	162,244	220,519	27,312	410,075	AA+ to AAA	4.69-7.34
Corporate:						
Financial	248,750	324,236	270,351	843,337	BBB+ to A-	3.25-4.14
Industrial	492,119	500,951	356,212	1,349,282	BB to A-	3.63-6.44
Utility	24,490	21,222	21,630	67,342	BB+ to BBB+	1.94-3.07
High Yield Bond Fund	—	51,966	—	51,966	BB-	2.40
Commingled Asset Allocation Funds	104,686	—	—	104,686	NR	NA
Total fixed income investments at fair value	$ 2,978,538	$ 2,264,300	$ 1,285,705	$ 6,528,543		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraisal value.

Investments measured at cost are included to account for all investments within each pool and SMI. These assets represent cash equivalents and Montana Mortgages and Loans.

Each of the investment pools and SMI has the following fair value measurements as of June 30, 2019:

Investments Measured at Fair Value
(in thousands)

		Fair Value Measurements Using		
	June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Investments by fair value level				
Fixed income investments:				
Treasuries	$ 2,295,489	$ 2,295,489	$ —	$ —
Agency or Government Related	1,583,220	—	1,583,220	—
Asset Backed Securities	166,431	—	166,431	—
Mortgage Backed Securities:				
Noncommercial	659,772	—	659,772	—
Commercial	410,075	—	410,075	—
Corporate:				
Commercial Paper	200,145	—	200,145	—
Commercial Notes	448,909	—	448,909	—
Certificates of Deposit	325,235	—	325,235	
Financial	843,337	—	843,337	—
Industrial	1,349,282	—	1,349,282	—
Utility	67,342	—	67,342	—
Equity investments	3,632,285	3,632,285	—	—
International equity investments	1,967,247	1,967,247	—	—
Direct Real Estate	19,185	—	—	19,185
Residential Mortgages	3,358	—	—	3,358
Investment derivate instruments:				
Credit default swaps	310	—	310	—
Total investments by fair value level	13,971,622	7,895,021	6,054,058	22,543
Investments measured at the net asset value (NAV)				
Commingled Asset Allocation Funds	104,686			
Private Equity Partnerships	1,551,573			
Core Real Estate	620,022			
Non-Core Real Estate	405,296			
Timber	106,902			
High Yield Bond Fund	51,966			

Investments Measured at Fair Value
(in thousands)

	June 30, 2019	Fair Value Measurements Using: Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Total investments measured at NAV	2,840,445			
Total investments measured at fair value	16,812,067			
Investments at cost				
Cash and cash equivalents held at custodial bank	2,594,018			
SMI Montana Mortgages and Loans	167,356			
Total investments not categorized	2,761,374			
Total investments	$ 19,573,441			

The investments measured at NAV for the year ended June 30, 2019, are detailed below.

	Fair Value	Investments Measured at NAV (in thousands): Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Asset Allocation Funds	$ 104,686	$ —	Daily	1 day
Private Equity Partnerships	1,551,573	919,698		
Core Real Estate	620,022	—	Monthly, quarterly	45-90 days
Non-Core Real Estate	405,296	257,589		
Timber	106,902	14,225		
High Yield Bond Fund	51,966	—	Monthly	30 days
Total investments measured at the NAV	$ 2,840,445	$ 1,191,512		

STIP and $1.7 billion of SMI are included, and also reported in Tables 2 and 4, respectively.

Commingled Asset Allocation Funds – This type consists of institutional investment funds that invest in global tactical asset allocation funds. The fair values of these investments use the NAV per share (or its equivalent) of the investments.

Private Equity Partnerships – This type includes investments in limited partnerships. Generally, the types of partnership strategies included in this portfolio are: venture capital, growth equity, buyouts, special situations, mezzanine, energy, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially-leased institutional quality real estate in traditional property types (apartments, office, retail, industrial, and hotel), through commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds in order to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. These investments can never be redeemed. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital.

Timber – This type includes private partnership funds that primarily invest in timber funds. The underlying assets of these types of funds are typically made of tree farms and managed forest. Returns come from biological growth, upward product class movement, and appreciation in timber and land prices. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 12 to 20 years. These investments can never be redeemed with the funds. The fair values of these investments use the NAV per share (or its equivalent) of BOI's ownership interest in the partners' capital.

High Yield Bond Fund – This type consists of predominantly US corporate credits, whether in the form of bonds or loans, that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of these investments use the NAV per share (or its equivalent) of the investments.

As of the June 30, 2019, exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in US dollars, at fair value in the table below and is limited to CAPP. Excluded are the foreign investments denominated in US dollars for the American Depositary Receipts (ADRs), sovereign debt, and commingled index funds.

Foreign Currency Exposure by Country
Investment Type in US Dollar Equivalent
(in thousands)

Foreign Currency Denomination	Currency	International Equities	Private Equity	Real Estate Equity
Australian Dollar	$ —	$ 29,752	$ —	$ —
Brazilian Real	58	19,314	—	—
Canadian Dollar	76	56,063	—	—
Czech Koruna	—	799	—	—
Danish Krone	—	10,939	—	—
EMU – Euro	110	180,950	18,510	1,422
Hong Kong Dollar	67	36,067	—	—
Hungarian Forint	18	1,873	—	—
Indonesian Rupiah	2	1,120	—	—
Japanese Yen	276	100,630	—	—
Korean Fortnit	2	15,948	—	—
Malaysian Ringgit	1	1,596	—	—
Mexican Peso	4	4,976	—	—
New Israeli Sheqel	—	6,704	—	—
New Zealand Dollar	—	211	—	—
Norwegian Krone	—	6,243	—	—
Philippine Peso	3	70	—	—
Polish Zloty	—	2,238	—	—
Pound Stering	121	93,259	—	—
Singapore Dollar	1	12,220	—	—
South African Rand	19	11,715	—	—
South Korean Won	(97)	15,390	—	—
Swedish Krona	1	28,927	—	—
Swiss Franc	1	32,154	—	—
New Taiwan Dollar	8	4,178	—	—
Thailand Baht	—	5,142	—	—
Yuan Renminbi	316	8,898	—	—
Total cash and securities	$ 987	$ 687,376	$ 18,510	$ 1,422

Investments in alternative equity are usually made through limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last for a minimum of 10 years. The table below shows the remaining BOI commitments to CAPP alternative equity managers by pension asset class (PAC), as of June 30, 2019.

Commitments to Fund Managers
(in thousands)

Pension Asset Class	Original Commitment	Commitment Remaining
Private Equities PAC	$ 2,570,722	$ 761,179
Real Estate PAC	1,511,666	257,589
Natural Resources PAC	464,412	172,744
Total	$ 4,546,800	$ 1,191,512

D. Investments

Article VIII of Montana's Constitution, with supporting statutes, authorizes BOI to manage the State's Unified Investment Program. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

Long-term Investments

Department	Percent Administered
Board of Investments	50.00%
Universities	18.60
MPERA (Montana Public Employee Retirement Administration)	23.71
College Savings Plan	4.78
Montana Board of Housing	1.39
Other (1)	1.52
Total	100.00%

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Commerce, the Department of Natural Resources and Conservation, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. The PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors: stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund of the PERS-DCRP and Deferred Compensation Plan are held in a Pooled Trust. The third party record keeper, Empower ™ Retirement, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
Investments by fair value level				
Treasuries (1)	$ 3,959	$ 3,959	$ —	$ —
Agency/Government Related (1)	26,663	—	26,663	—
Government Securities	3,600	3,600	—	—
Stocks	6,258	6,258	—	—
Other	22,749	—	22,749	—
Total investments at fair value	63,229	13,817	49,412	—
Investments at cost				
Montana Mortgages and Loans (3)	157,935			

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2019	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total investments at cost	157,935			
Total primary government	221,164			
Component units/fiduciary funds				
Investments by fair value level				
Treasuries [1]	317,615	317,615	—	—
Agency/Government Related [1]	124,286	—	124,286	—
Asset Backed Securities [1]	57,708	—	57,708	—
Mortgage Backed Securities [1]	55,083	—	55,083	—
Commercial Mortgage Backed Securities [1]	27,312	—	27,312	—
Financial-Corporate [1]	270,351	—	270,351	—
Industrial-Corporate [1]	356,212	—	356,212	—
Utility-Corporate [1]	21,630	—	21,630	—
Equity Investments	169,265	169,265	—	—
529 College Savings Plan	160,074	—	160,074	—
VEBA	7,466	7,466	—	—
State Auditor	10,919	6,464	4,455	—
MSU Investments [2]	23,546	—	23,546	—
MSU Component Unit Investments [2]	161,675	158,066	2,346	1,263
UM Component Unit Investments [2]	186,536	136,896	38,839	10,801
Board of Housing [2]	41,971	8,323	33,648	—
Total investments at fair value	1,991,649	804,095	1,175,490	12,064
Investments at net asset value (NAV)				
Core Real Estate	85,053			
Deferred Compensation [2]	532,205			
Defined Contribution [2]	260,973			
MSU Component Unit Investments [2]	96,693			
UM Component Unit Investments [2]	124,344			
UM Other Investments [2]	363			
UM Interest in Split Interest [2]	4,399			
Total investments at NAV	1,104,030			
Investments at cost				
MSU Component Unit Investments [2]	24,875			
Board of Housing [2]	4,364			
Total Investments at Cost	29,239			
Total component unit/fiduciary investments	3,124,918			
Total investments	$ 3,346,082			
Securities lending investment pool	$ 8,047			

(1) The credit quality rating and duration are included in above sections for the rated investments.
(2) For more detail, refer to component unit separately issued financial statements.
(3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included on SMI financial statements. This amount of $9.4 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2019, the fair value of the investments on loan was $128.5 million. Collateral provided for the investments on loan totaled $131.2 million consisting of $8.1 million in cash and $123.1 million in securities.

$1.7 billion of SMI is included, and also reported in the Investments Measured at Fair Value and NAV table.

Municipal Finance Programs – Rated Securities
Credit Quality Rating and Effective Duration as of June 30, 2019
(in thousands)

Security Investment Type		Fair Value	Credit Quality Rating (1)	Effective Duration (1)
Short-term investments				
US Treasury obligations	$	2,684	AA+	0.15
Restricted investments				
US Treasury obligations		701	AA+	1.45
Total investments	$	3,385		

(1) Credit Quality Rating and Effective Duration are weighted.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Accounts receivable, accounts payable, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position as of June 30, 2019, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	$ —	$ 5,509	$ 1,919	$ 776	$ —	$ —	$ 10,025
Contributions/premiums	—	—	—	8,043	—	—	2,040
Grants/contracts/donations	—	—	—	—	—	16	304
Investment income	3,596	—	2,260	249	2,406	4,256	4,245
License and permits	—	—	—	—	—	—	8,524
Other receivables	—	72,891	6,797	4	—	—	667
Reimbursements/overpayments	—	348	19,337	—	—	—	15,039
Taxes	7,398	—	387,046	—	—	2,600	98,663
Total receivables	10,994	78,748	417,359	9,072	2,406	6,872	139,507
Less: allowance for doubtful accounts	—	(2,065)	(125,058)	(16)	—	—	(17,891)
Receivables, net	$ 10,994	$ 76,683	$ 292,301	$ 9,056	$ 2,406	$ 6,872	$ 121,616

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	$ —	$ 27,985	$ —
Contributions/premiums	—	2,776	5,387
Loans/investment income	8,367	265	—
Other receivables	—	64	—
Reimbursements/overpayments	—	—	2,279
Total receivables	8,367	31,090	7,666
Less: allowance for doubtful accounts	—	(464)	(2,928)
Receivables, net	$ 8,367	$ 30,626	$ 4,738

B. Deferred Outflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows (1)	$ —	$ 5,032	$ 239	$ —	$ —
Pension deferred outflows (2)	28	760,165	11,920	—	86
Refunding deferred outflows	—	—	—	2,461	—
Total deferred outflows	$ 28	$ 765,197	$ 12,159	$ 2,461	$ 86

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows (1)	$ 1	$ 65
Pension deferred outflows (2)	79	2,774
Total deferred outflows	$ 80	$ 2,839

(1) Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.
(2) Further detail regarding pension related deferred outflows of resources is provided in Note 6.

C. Accounts Payables

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	$ 6	$ 387	$ 27	$ 1,668	$ 58
Payroll	8,554	21,965	3,829	6	20,567
Tax refunds	—	161,767	—	—	—
Vendors/individuals	229,267	73,312	10,491	2,663	153,880
Payables, net	$ 237,827	$ 257,431	$ 14,347	$ 4,337	$ 174,505

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	$ 655	$ 3	$ —
Payroll	19	986	—
Vendors/individuals	7	16,822	1,741
Payables, net	$ 681	$ 17,811	$ 1,741

D. Deferred Inflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred inflows [(1)]	$ —	$ 3,998	$ 257	$ —	$ —
Pension deferred inflows [(2)]	57	195,919	11,511	—	79
Refunding deferred inflows	—	—	—	235	—
Total deferred inflows	$ 57	$ 199,917	$ 11,768	$ 235	$ 79

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows [(1)]	$ 2	$ 77
Pension deferred inflows [(2)]	80	3,482
Total deferred inflows	$ 82	$ 3,559

[(1)] Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

[(2)] Further detail regarding pension related deferred inflows of resources is provided in Note 6.

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2019, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not being depreciated:				
Land	$ 719,083	$ 18,281	$ (339)	$ 737,025
Construction work in progress	927,077	447,886	(269,145)	1,105,818
Easements	192,587	26,226	—	218,813
Museum and art	85,440	230	—	85,670
Other	29,282	560	—	29,842
Total capital assets not being depreciated	1,953,469	493,183	(269,484)	2,177,168
Capital assets being depreciated:				
Infrastructure	5,429,950	246,256	(102,648)	5,573,558
Land improvements	65,508	3,743	—	69,251
Buildings/improvements	591,294	18,362	(4,019)	605,637
Equipment	397,503	23,249	(10,491)	410,261
Easements - amortized	1,450	—	(73)	1,377
Other	5,402	164	—	5,566
Total capital assets being depreciated	6,491,107	291,774	(117,231)	6,665,650
Less accumulated depreciation for:				
Infrastructure	(1,615,849)	(186,967)	102,648	(1,700,168)
Land improvements	(30,431)	(3,035)	28	(33,438)
Buildings/improvements	(383,435)	(18,986)	3,397	(399,024)
Equipment	(253,624)	(25,772)	8,734	(270,662)
Other	(4,042)	(266)	—	(4,308)
Total accumulated depreciation	(2,287,381)	(235,026)	114,807	(2,407,600)
Total capital assets being depreciated, net	4,203,726	56,748	(2,424)	4,258,050
Intangible assets	33,498	41,595	(29,826)	45,267
Governmental activities capital assets, net	$ 6,190,693	$ 591,526	$ (301,734)	$ 6,480,485

(1) The increases and decreases noted above include adjustments related to prior periods and correction of errors.

Business-type Activities	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not being depreciated:				
Land	$ 800	$ —	$ —	$ 800
Construction work in progress	7,791	878	(1,782)	6,887
Other	4,251	46	(657)	3,640
Total capital assets not being depreciated	12,842	924	(2,439)	11,327
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	10,146	53	—	10,199
Equipment	9,546	159	(132)	9,573
Total capital assets being depreciated	24,697	212	(132)	24,777
Less accumulated depreciation for:				
Infrastructure	(727)	(19)	—	(746)
Land improvements	(1,915)	(149)	—	(2,064)
Buildings/improvements	(6,503)	(296)	—	(6,799)
Equipment	(6,845)	(549)	120	(7,274)
Total accumulated depreciation	(15,990)	(1,013)	120	(16,883)
Total capital assets being depreciated, net	8,707	(801)	(12)	7,894
Intangible assets	78	2,086	(102)	2,062
Business-type activities capital assets, net	$ 21,627	$ 2,209	$ (2,553)	$ 21,283

(1) The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

Depreciation expense was charged to governmental functions as follows (in thousands):

	Depreciation (2)
General government	$ 8,190
Public safety	7,570
Transportation, including depreciation of the highway system maintained by the State	189,740
Health and human services	2,480
Education	191
Natural resources, including depreciation of the state's dams	10,569
Depreciation on capital assets held by the internal service funds	16,286
Total depreciation expense – Governmental Activities	$ 235,026

Depreciation expense was charged to business-type activities as follows (in thousands):

	Depreciation (2)
Liquor Stores	$ 108
State Lottery	52
Prison Funds	566
West Yellowstone Airport	233
Other Enterprise Funds	54
Total depreciation expense – Business-type Activities	$ 1,013

(2) Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

NOTE 6. RETIREMENT PLANS

A. General

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund, a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for some pension related items.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees two defined contribution plans: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the 457-Deferred Compensation Plan (457 Plan). The PERB also oversees education funds related to the pension plans. All of the benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: http://mpera.mt.gov/. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hear and rule on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA, but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

Teachers' Retirement System

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0319; or can be found online at https://trs.mt.gov/.

The TRB consists of six members, all of which are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB

members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitutes a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2019, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	546	320	57	33	27	235	366
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	547	320	57	34	28	236	367

There are 685 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

C. Public Employee Defined Benefit Retirement Plan

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, PERS-DCRP, and 457-Deferred Compensation covered by benefit terms at June 30, 2019, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution	
Plan Designation	**JRS**	**HPORS (1)**	**GWPORS**	**PERS-DBRP(2)**	**SRS**	**MPORS (1)**	**FURS**	**VFCA**	**TRS**	**PERS-DCRP**	**457-DC**
Classification of Member											
Active	58	232	1,021	28,908	1,454	806	722	2,249	19,686	2,871	4,922
Inactive entitled to, but not yet receiving, benefits or a refund:											
Vested	2	18	138	3,943	135	94	36	777	1,791	559	4,618
Non-vested	1	25	447	19,316	633	164	67	—	14,261	713	—
Inactive members and beneficiaries currently receiving benefits:											
Service retirements(3)	68	324	332	22,592	673	786	632	1,484	15,589	111	—
Disability retirements	—	6	4	146	29	32	10	1	199	10	—
Survivor benefits(4)	5	12	10	507	24	32	19	3	468	2	—
Total membership	134	617	1,952	75,412	2,948	1,914	1,486	4,514	51,994	4,266	9,540

(1) Includes DROP in the Active count.

(2) The inactive Non-vested count includes dormant accounts that were previously not counted.

(3) Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

(4) Includes "Death Before Retirement" benefit payments.

A summary of pension liability, pension assets, net pension liability/(asset), pension expense/(income), deferred outflows of resources, and deferred inflows of resources by plan and total for the State as an employer entity for primary government and component units reported as of June 30, 2019, based on a June 30, 2018, actuarial valuation, follows with amounts presented in thousands:

Aggregate Pension Amounts - All Plans (State as employer)

System	Employer's Total Pension Liability	Employer's Pension Assets	Employer's Net Pension Liability/(Asset)	Employer's Pension Expense/ (Income)	Employer's Deferred Outflows of Resources	Employer's Deferred Inflows of Resources
JRS	$ 60,192	$ 102,651	$ (42,459)	$ (2,392)	$ 2,363	$ 3,116
HPORS	227,581	149,199	78,382	8,880	11,830	777
GWPORS	234,470	193,523	40,947	7,533	16,098	1,450
PERS-DBRP	3,111,159	2,285,772	825,387	69,675	189,135	182,664
SRS	21,151	17,488	3,663	(274)	2,798	4,041
FURS	12,634	9,984	2,650	485	1,227	47
TRS	153,359	105,952	47,407	11,538	32,691	1,725
Totals	$ 3,820,546	$ 2,864,569	$ 955,977	$ 95,445	$ 256,142	$ 193,820

(1) State as the Single Employer

__Judges' Retirement System__ – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5, MCA (Montana Code Annotated). This plan provides

retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's current salary[1] or highest average compensation (HAC)[2]
[1]Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;
[2]Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;
[2]Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Age 60, 5 years of membership service;
Any age with 5 years of membership service – involuntary termination, actuarially reduced.

Vesting
5 years of membership service.

Monthly benefit formula
3.33% of current salary[1] (non-GABA) or HAC[2] (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system – As the employer, the State was required to contribute 25.81% of a member's compensation until January 1, 2018, at which time the contribution rate was reduced to 0% temporarily until June 30, 2019.

Actuarial Assumptions

The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability/(asset) to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability/(asset). Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.18%

- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases None
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:
    - 3% for members electing GABA or hired on or after July 1, 1997
    - Current salary of an active member in the same position, if hired prior to July 1, 1997, and not electing GABA
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the JRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2105. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the JRS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset) calculated using the discount rate of 7.65%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands) 1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
JRS net pension (asset)	$ (36,544)	$ (42,459)	$ (47,564)

Net Pension Asset

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension asset (NPA), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability (Asset) as of 6/30/17	Net Pension Liability (Asset) as of 6/30/18	Percent of NPA
Employer's proportionate share	$ (35,855)	$ (42,459)	100%

At June 30, 2019, the employer reported a net pension asset of $42.5 million for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The employer's proportion of the net pension asset was based on the employer's contributions received by JRS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the JRS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other input that affected the measurement of the total pension liability (asset).

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the net pension asset and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the net pension asset.

Other Items Related to and Changes in Net Pension Asset

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2017	$ 60,798	$ 96,653	$ (35,855)
Service costs	1,664	—	1,664
Interest	4,503	—	4,503
Difference between expected and actual experience	(2,901)	—	(2,901)
Contributions – employer	—	1,085	(1,085)
Contributions – member	—	575	(575)
Net investment income	—	8,467	(8,467)
Refunds of contributions	(149)	(149)	—
Benefit payments	(3,723)	(3,723)	—
Administrative expense	—	(264)	264
Other changes	—	7	(7)
Net changes	(606)	5,998	(6,604)
Balances at 6/30/2018	$ 60,192	$ 102,651	$ (42,459)

Pension Expense
At June 30, 2019, the employer recognized pension expense/(income) of $(2.4) million for the JRS.

Deferred Outflows and Inflows
At June 30, 2019, the employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $1.1 million.

As of the fiscal year ended June 30, 2019, remaining deferred outflows of resources and deferred inflows of resources related to the JRS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings on pension plan investments	$ —	$ 605
Changes of assumptions	1,932	—
Differences between expected and actual experience	431	2,511
Totals	$ 2,363	$ 3,116

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2020	$ 679
2021	485
2022	(1,683)
2023	(234)
2024	—
Thereafter	—

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established in July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

Deferred Retirement Option Plan (DROP)

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the members DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2019, the balance held by MPERA for HPORS DROP participants was approximately $2.0 million.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2013 – HAC during any consecutive 36 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
20 years of membership service, regardless of age.

Early Retirement
Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.
Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

Second Retirement (applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:

- is not awarded service credit for the period of reemployment;
- is refunded the accumulated contributions associated with the period of reemployment;
- starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:

- is awarded service credit for the period of reemployment;
- starting the first month following termination of service, receives:
    - the same retirement benefit previously paid to the member; and
    - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- does not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
    - on the initial retirement benefit starting January immediately following second retirement; and
    - on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

Vesting
Hired prior to July 1, 2013 – 5 years of membership service.
Hired on or after July 1, 2013 – 10 years of membership service.

Monthly benefit formula
Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.
Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

Minimum Monthly Benefit (non-GABA)
If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

Contributions to the Plan
Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employer.
Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.
Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employer contributions to the system – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.30%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 6.30%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
  - If electing GABA or hired on or after July 1, 1997 – 3.00%
  - Hired on or after July 1, 2013 – 1.50%

    - Minimum Benefit Adjustment – Limited to 5% over the current benefit and may not exceed 60% of a newly confirmed officer
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 10.18% of salaries paid by employers, however, this is considered an employer contribution since HPORS is a single-employer plan and the State is the only employer. Based on those assumptions, the HPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2129. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the HPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the HPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
HPORS net pension liability	$ 110,323	$ 78,382	$ 52,575

Net Pension Liability

In accordance with GASB 68, employer is required to recognize and report certain amounts associated with its participation in the HPORS. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL), pension expense, deferred inflows or resources, and deferred outflows of resources associated with pensions.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of NPL
Employer's proportionate share	$ 78,385	$ 78,382	100%

At June 30, 2019, the employer reported a liability of $78.4 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The employer's proportion of the net pension liability was based on the employer's contributions received by HPORS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the HPORS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the net pension liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the net pension liability.

Other Items Related to and Changes in Net Pension Liability

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2017	$ 218,922	$ 140,537	$ 78,385
Service costs	3,643	—	3,643
Interest	16,294	—	16,294
Difference expected and actual experience	590	—	590
Contributions – employer	—	5,858	(5,858)
Contributions – non-employer (State)	—	250	(250)
Contributions – member	—	2,387	(2,387)
Net investment income	—	12,283	(12,283)
Refund of contributions	(322)	(322)	—
Benefit payments	(11,546)	(11,546)	—
Administrative expense	—	(256)	256
Other changes	—	8	(8)
Net changes	8,659	8,662	(3)
Balances at 6/30/2018	$ 227,581	$ 149,199	$ 78,382

Pension Expense

At June 30, 2019, the employer recognized pension expense of $8.9 million for the HPORS.

Deferred Outflows and Inflows
At June 30, 2019, the employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $6.1 million.

As of the fiscal year ended June 30, 2019, remaining deferred outflows of resources and deferred inflows of resources related to the HPORS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 1,833	$ —
Changes of assumptions	3,946	—
Net difference between projected and actual earnings on pension plan investments	—	777
Contributions paid to HPORS subsequent to the measurement date – FY 2019 contributions	6,051	—
Totals	$ 11,830	$ 777

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2020	$ 3,680
2021	2,891
2022	(1,235)
2023	(334)
2024	—
Thereafter	—

Game Wardens' & Peace Officers' Retirement System – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement
Age 50, 20 years of membership service.

Early Retirement (reduced benefit)
Age 55, vested members who terminate employment prior to 20 years of membership service.

Vesting
5 years of membership service.

Monthly benefit formula
2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation.

Employer contributions to the system – State agency and university employers are required to contribute 9.0% of a member's compensation.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of payroll 0.17%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%

- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit:
  - 3.00% for members hired prior to July 1, 2007
  - 1.50% for members hired on or after July 1, 2007
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension asset was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the GWPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the GWPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the GWPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	**Current Discount Rate**	**1.0% Increase (8.65%)**
Primary government employer GWPORS net pension liability	$ 72,781	$ 38,851	$ 11,194
Discretely presented component units employer GWPORS net pension liability	3,927	2,096	604
Total employer GWPORS net pension liability	$ 76,708	$ 40,947	$ 11,798

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the GWPORS. Statement 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

	(dollars presented in thousands)		
	Net Pension Liability as of 6/30/17	**Net Pension Liability as of 6/30/18**	**Percent of Collective NPL**
Primary government employer proportionate share	$ 35,297	$ 38,851	94.880929%
Discretely presented component units employer proportionate share	2,063	2,096	5.119071%
Total employer GWPORS proportionate share	$ 37,360	$ 40,947	100%

At June 30, 2019, the employer reported a total liability of $40.9 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The employer's proportion of the net pension liability was based on the employer's contributions received by GWPORS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of GWPORS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date, there were no changes in proportion that are expected to have a significant effect on the employer's proportionate share of the collective net pension liability.

Other Items Related to and Changes in Net Pension Liability

The State, as the primary government employer, has the following balances and changes related to the GWPORS's Net Pension Liability:

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2017	$ 201,284	$ 165,987	$ 35,297
Service costs	7,683	—	7,683
Interest	15,198	—	15,198
Difference between expected and actual experience	4,536	—	4,536
Contributions – employer	—	4,377	(4,377)
Contributions – member	—	5,230	(5,230)
Net investment income	—	14,776	(14,776)
Refunds of contributions	(1,049)	(1,049)	—
Benefit payments	(6,189)	(6,189)	—
Administrative expense	—	(350)	350
Other changes (1)	1,004	834	170
Net changes	21,183	17,629	3,554
Balances at 6/30/2018	$ 222,467	$ 183,616	$ 38,851

(1) The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

The State's discretely presented component units, as employers, have the following balances and changes related to the GWPORS's Net Pension Liability:

(in thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2017	$ 11,917	$ 9,854	$ 2,063
Service costs	415	—	415
Interest	820	—	820
Difference between expected and actual experience	245	—	245
Contributions - employer	—	236	(236)
Contributions - member	—	282	(282)
Net investment income	—	797	(797)
Refunds of contributions	(56)	(56)	—
Benefit payments	(334)	(334)	—
Administrative expense	—	(19)	19
Other changes (1)	(1,004)	(853)	(151)
Net changes	86	53	33
Balances at 6/30/2018	$ 12,003	$ 9,907	$ 2,096

(1) The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

Pension Expense

At June 30, 2019, the employer recognized a total pension expense of $7.5 million for its proportionate share of the GWPORS pension expense: $7.2 million related to the primary government and $360.3 thousand related to component units.

Deferred Outflows and Inflows

At June 30, 2019, the State, as a primary government employer, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $4.3 million.

As of the fiscal year ended June 30, 2019, remaining deferred outflows of resources and deferred inflows of resources for the primary government, as an employer, related to the GWPORS are from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 7,340	$ —
Net difference between projected and actual earnings on pension plan investments	—	1,195
Changes in assumptions	3,346	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	191	111
Contributions paid to GWPORS subsequent to the measurement date – FY 2019 contributions	4,419	—
Totals	$ 15,296	$ 1,306

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2020	$ 4,114
2021	3,270
2022	1,664
2023	523
2024	—
Thereafter	—

The State's discretely presented component units, as employers, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $234.2 thousand.

As of the fiscal year ended June 30, 2019, remaining deferred outflows of resources and deferred inflows of resources for the State's discretely presented component units, as employers, related to the GWPORS are from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 396	$ —
Net difference between projected and actual earnings on pension plan investments	—	64
Changes in assumptions	181	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	80
Contributions paid to GWPORS subsequent to the measurement date – FY 2019 contributions	225	—
Totals	$ 802	$ 144

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 195
2021	150
2022	63
2023	25
2024	—
Thereafter	—

(2) State as an Employer and/or a Nonemployer Contributing Entity to Cost-Sharing Multiple-Employer Plans

Public Employees' Retirement System - Defined Benefit Retirement Plan – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;
Hired on or after July 1, 2011 – HAC during any consecutive 60 months;
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011 –
Age 60, 5 years of membership service;
Age 65, regardless of membership service; or
Any age, 30 years of membership service.

Hired on or after July 1, 2011 –
Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –
Age 50, 5 years of membership service; or
Any age, 25 years of membership service.
Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require retuning to PERS-covered employment or PERS service):

Retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016 and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011 –

Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –

Less than 10 years of membership service: 1.5% of HAC per year of service credit;
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA) – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
  a. 1.5% for each year PERS is funded at or above 90%;
  b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  c. 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system: Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

Employer contributions to the system
State and University System employers are required to contribute 8.67% of member compensation.
Local government entities are required to contribution 8.57% of member compensation.
School district employers contributed 8.30% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. As of January 1, 2019, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer Entity Contributions
Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities.
The State contributes 0.37% of member compensation on behalf of school district entities.
The State contributes a Statutory Appropriation from General Fund. Funding provided for the year ended June 30, 2019, totaled $33.5 million.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.26%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0 to 4.8%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of all other adjustments to the member's benefit:
    - 3.00% for members hired prior to July 1, 2007
    - 1.50% for members hired between July 1, 2007 and June 30, 2013
    - Members hired on or after July 1, 2013:
        - 1.50% for each year PERS is funded at or above 90%
        - 1.50% is reduced by 0.1% for each 2% PERS is funded below 90%; and
        - 0% whenever the amortization period for PERS is 40 years or more
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes a Statutory Appropriation from the General Fund. Based on those assumptions, the PERS-DBRP's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the PERS-DBRP. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the PERS-DBRP's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability (NPL) to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
	(in thousands)		
State as an employer in PERS-DBRP – net pension liability	$ 1,193,700	$ 825,387	$ 522,943
State as a nonemployer contributing entity to PERS-DBRP – net pension liability	752,125	520,058	329,495

Net Pension Liability

In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity special funding.

In accordance with GASB 68, the PERS-DBRP has a special funding situation where the State is legally responsible for making contributions directly to the PERS-DBRP on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's proportionate share as an employer entity	$ 1,033,200	$ 825,387	39.546272%
State's proportionate share as a nonemployer contributing entity	19,622	520,058	24.917247%
State of Montana totals	$ 1,052,822	$ 1,345,445	64.463519%

Per Section 19-3-320, MCA, effective July 1, 2017, the State provided the state statutory appropriation directly to the PERS-DBRP. The state statutory appropriation is considered a special funding situation and increased the state's proportionate share. All PERS-DBRP participating employers' proportionate shares have decreased as a result of the increased state proportion as compared to prior years.

At June 30, 2019, the State reported a liability of $1.3 billion for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The proportion of the net pension liability is based on the employer's and nonemployer's special funding contributions received by the PERS-DBRP during the measurement period of July 1, 2017, through June 30, 2018, relative to the total employer and nonemployer special funding contributions received from all PERS-DBRP participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Grant Expenses
At June 30, 2019, the State as an employer recognized a pension expense of $69.7 million for its proportionate share of the PERS-DBRP's pension expense. The State as a nonemployer contributing entity recognized grant expense of $1.1 million for special funding support provided by the General Fund for its proportionate share of the PERS-DBRP's pension expense that is associated with local government and school district participants in the plan. The State as a nonemployer contributing entity recognized grant expense of $33.6 million for special funding support provided by the General Fund as a statutory appropriation for all participating employers in the plan. The State as a nonemployer contributing entity recognized pension expense of $132.1 million that is actuarially allocated to the State as a nonemployer. The total pension expense recognized by the State as a nonemployer was $166.8 million. Total pension related expenses recognized by the State, both as employer and nonemployer contributing entity at June 30, 2019, were $236.5 million.

Deferred Outflows and Inflows
At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $54.8 million.

As of the fiscal year ended June 30, 2019, the State as an employer has the following proportionate shares of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Actual versus expected experience	$ 62,765	$ —
Net difference between projected and actual earnings on pension plan investments	—	12,818
Change of assumptions	70,187	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	169,846
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2019 contributions	56,183	—
Totals	$ 189,135	$ 182,664

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2020	$ 14,048
2021	2,003
2022	(60,496)
2023	(5,267)
2024	—
Thereafter	—

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $34.7 million.

As of the fiscal year ended June 30, 2019, the State as a nonemployer contributing entity reported its proportionate share of the PERS-DBRP's deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Actual versus expected experience	$ 39,547	$ —
Net difference between projected and actual earnings on pension plan investments	—	8,077
Change of assumptions	44,223	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	296,154	—
Contributions paid to PERS-DBRP subsequent to the measurement date – FY 2019 contributions	34,642	—
Totals	$ 414,566	$ 8,077

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction to its share of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

		(in thousands)
Year ended June 30:		**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**
2020	$	144,020
2021		135,594
2022		95,552
2023		(3,319)
2024		—
Thereafter		—

Sheriffs' Retirement System – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)
Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit
Service Retirement: 20 years of membership service, regardless of age.
Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

Second Retirement (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   - is not awarded service credit for the period of reemployment;
   - is refunded the accumulated contributions associated with the period of reemployment;
   - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
   - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.

b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   - is awarded service credit for the period of reemployment;
   - starting the first month following termination of service, receives:
     - the same retirement benefit previously paid to the member; and

  - ◦ a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
- do not accrue post-retirement benefit adjustments during the term of reemployment but receive a GABA:
  - ◦ on the initial retirement benefit starting in January immediately following second retirement; and
  - ◦ on the second retirement benefit starting in January after receiving that benefit for at least 12 months

c. A member who returns to covered service is not eligible for a disability benefit.

Vesting
5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- ◦ 3.0% for members hired prior to July 1, 2007
- ◦ 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation.

Employer contributions to the system – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Administrative Expense as a % of Payroll 0.21%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.30%
- Postretirement Benefit Increases – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the member's benefit.
  - ◦ 3.00% for members hired prior to July 1, 2007
  - ◦ 1.50% for members hired on or after July 1, 2007

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. SRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2118. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the SRS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the SRS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
Employer's SRS net pension liability	$ 6,666	$ 3,663	$ 1,204

Net Pension Liability

In accordance with GASB 68, employers are required to recognize and report certain amounts associated with their participation in the SRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record

and report their proportionate share of the collective net pension liability (NPL), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

(dollars presented in thousands)			
	Net Pension Liability as of 6/30/17	**Net Pension Liability as of 6/30/18**	**Percent of Collective NPL**
Employer proportionate share	$ 3,696	$ 3,663	4.872800%

At June 30, 2019, the State as an employer reported a liability of $3.7 million for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The employer's proportion of the net pension liability was based on the employer's contributions received by the SRS during the measurement period, July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of SRS participating employers.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that are expected to have a significant effect on the Employer's proportionate share of the collective net pension liability.

Pension Expense

At June 30, 2019, the employer recognized a pension expense/(income) of $(274.0) thousand for its proportionate share of the SRS pension expense/(income).

Deferred Outflows and Inflows

At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $495.8 thousand.

As of the fiscal year ended June 30, 2019, the State, as an employer, reported its proportionate share of the SRS's deferred outflows of resources and deferred inflows of resources from the following sources:

(in thousands)		
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 202	$ 8
Net difference between projected and actual earnings on pension plan investments	—	102
Changes of assumptions	2,083	3,464
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	467
Contributions paid to SRS subsequent to the measurement date – FY 2019 contributions	513	—
Totals	$ 2,798	$ 4,041

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	(in thousands) Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ (470)
2021	(557)
2022	(741)
2023	12
2024	—
Thereafter	—

Municipal Police Officers' Retirement System – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

Deferred Retirement Option Plan (DROP)
Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2019, the balance held by MPERA for MPORS DROP participants was approximately $9.5 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this CAFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

Summary of Benefits

Member's final average compensation (FAC)
Hired prior to July 1, 1977 – average monthly compensation of final year of service;
Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit
Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.
Second Retirement: Age 50, reemployed in a MPORS position

Vesting
Death and disability rights are vested immediately.
5 years of membership service.

Monthly benefit formula
2.5% of FAC per year of service credit.

Second retirement benefit formula for members re-employed in a MPORS position after July 1, 2017:

1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
   a. Is not awarded service credit for the period of reemployment;
   b. Is refunded the accumulated contributions associated with the period of reemployment;
   c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
   d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
   a. Is awarded service credit for the period of reemployment;
   b. Starting the first month following termination of service, receives:
      i. The same retirement benefit previously paid to the member, and
      ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
   c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
      i. On the initial retirement benefit in January immediately following second retirement, and
      ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
3) A member who returns to covered service is not eligible for a disability benefit.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA) If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

Contributions to the Plan
Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions – Contribution rates are dependent upon date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2019:
- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.

Employer Contributions – Employers are required to contribute 14.41% of a member's compensation.

Nonemployer Entity Contributions – The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin expense as a % of Payroll 0.24%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0.00% to 6.60%
- Postretirement Benefit Increases
    - GABA
      Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit
    - Minimum benefit adjustment (non-GABA)
      If hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than 50% the compensation of a newly confirmed officer in the city that the member was last employed
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 29.37% of salaries paid by employers. Based on those assumptions, the MPORS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2132. Therefore, the long-term expected rate of return on pension plan investments was applied to

all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the MPORS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the MPORS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68, regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

	(in thousands)		
	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 174,579	$ 114,956	$ 67,274

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the MPORS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the MPORS has a special funding situation in which the State is legally responsible for making contributions directly to the MPORS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State as a nonemployer contributing entity – proportionate share	$ 119,354	$ 114,956	67.124706%

At June 30, 2019, the State as a nonemployer contributing entity reported a liability of $115.0 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The nonemployer's proportion of the net pension liability was based on the nonemployer's special funding contributions received by the MPORS during the measurement period of July 1, 2017, through June 30, 2018, relative to total contributions received from all of the MPORS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

The State recognized grant expense of $13.0 million for special funding support provided by the General Fund for its proportionate share of the MPORS's pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $15.3 million.

As of the fiscal year ended June 30, 2019, the State as a nonemployer reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

(in thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 322	$ 2,293
Net difference between projected and actual earnings on pension plan investments	—	871
Change of assumptions	5,374	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	358	—
Contributions paid to MPORS subsequent to the measurement date – FY 2019 Contributions	15,941	—
Totals	$ 21,995	$ 3,164

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)	
Year ended June 30:	**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**	
2020	$	3,072
2021		2,479
2022		(2,149)
2023		(512)
2024		—
Thereafter		—

Firefighters' Unified Retirement System – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

Summary of Benefits

Member's compensation
Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);
Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.
Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.
Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

Eligibility for benefit
Service retirement: 20 years of membership service, regardless of age.
Early Retirement: Age 50, 5 years of membership service.

Vesting
Death and disability rights are vested immediately
5 years of membership service.

Monthly benefit formula
Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:
2.5% of HMC per year of service; **or**

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)
If hired before July 1, 1997 and the member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

Contributions to the Plan
Rates are specified by state law for periodic employee, employer and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating Employer. For members:
Hired prior to July 1, 1997 and not electing GABA, member contributions as a percentage of salary are 9.50%;
Hired on or after July 1, 1997 and electing GABA, member contributions as a percentage of salary are 10.70%.

Employer contributions to the system – Employers are required to contribute 14.36% of member's compensation.

Nonemployer entity contributions to the system – The State contributes 32.61% of a member's compensation from the General Fund.

Actuarial Assumptions
The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. Among those assumptions were the following:

- Investment Return 7.65%
- Admin Expense as a % of Payroll 0.23%
- General Wage Growth 3.50%
- Inflation at 2.75%
- Merit Increases 0% to 6.30%
- Postretirement Benefit Increases
  - GABA
    Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustment to the member's benefit.
  - Minimum Benefit Adjustment (non-GABA)
    Hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than 50% the compensation of a newly confirmed firefighter employed by the city that last employed the member.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.

- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 32.61% of salaries paid by employers. Based on those assumptions, the FURS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the FURS. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the FURS's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as an employer in FURS – net pension liability	$ 4,542	$ 2,650	$ 1,126
State as a nonemployer contributing entity to FURS – net pension liability	134,175	78,285	33,263

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the FURS. GASB 68 became effective June 30, 2015, and includes

requirements to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the FURS has a special funding situation in which the State is legally responsible for making contributions directly to the FURS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or fire district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's proportionate share as an employer entity	$ 2,525	$ 2,650	2.300917%
State's proportionate share as a nonemployer contributing entity	76,724	78,285	67.972164%
State of Montana totals	$ 79,249	$ 80,935	70.273081%

At June 30, 2019, the State reported a liability of $80.9 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity in relation to the FURS. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The proportion of the net pension liability was based on the all employer and nonemployer contributions received by the FURS during the measurement period, July 1, 2017, through June 30, 2018, relative to the total contributions received from all FURS participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective net pension liability.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

At June 30, 2019, the State as an employer recognized pension expense of $485.0 thousand for its proportionate share of the FURS pension expense. The State also recognized grant expense of $11.7 million for special funding support provided by the General Fund for its proportionate share of the FURS's pension expense that is associated with other employer participants in the plan. Total pension related expenses at June 30, 2019, was $12.2 million.

Deferred Outflows and Inflows

At June 30, 2019, the State, as an employer, recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $517.9 thousand.

As of the fiscal year ended June 30, 2019, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the FURS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between actual and expected experience	$ 297	$ 15
Net difference between projected and actual earnings on pension plan investments	—	32
Change of assumptions	259	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	177	—
Contributions paid to FURS subsequent to the measurement date – FY 2019 contributions	494	—
Totals	$ 1,227	$ 47

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense**
2020	$ 265
2021	217
2022	22
2023	114
2024	68
Thereafter	—

At June 30, 2019, the State recognized a beginning deferred outflow of resources as a nonemployer contributing entity for fiscal year 2018 contributions of $15.3 million.

As of the fiscal year ended June 30, 2019, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to FURS from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 8,788	$ 431
Net difference between projected and actual earnings on pension plan investments	—	950
Change in assumptions	7,665	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	117	—
Contributions paid to FURS subsequent to the measurement date – FY 2019 contributions	16,209	—
Totals	$ 32,779	$ 1,381

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)	
Year ended June 30:	Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense	
2020	$	5,204
2021		3,784
2022		1,314
2023		3,195
2024		1,692
Thereafter		—

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit
Age 55, 20 years of credited service;
Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive $7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at $250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting
10 years of credited service.

Monthly benefit formula (effective January 1, 2016)
$8.75 per year of credited service up to 20 years;
$7.50 per year of credited service after 20 years

Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the last actuarial experience study, dated May 2017 for the six-year period ended June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Inflation at 2.75%
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.

For VFCA, administrative expenses are assumed to equal $89.3 thousand. This dollar amount is added to normal cost for valuation purposes.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. The State contributes 5% of fire insurance premium taxes paid on certain fire risks. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2110. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the VFCA. The most recent analysis, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the VFCA's target asset allocation as of June 30, 2018, is summarized in the table that follows:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	8.00%	4.00%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as

what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

(in thousands)

	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
State as a nonemployer entity net pension liability	$ 12,207	$ 7,667	$ 3,821

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the VFCA. GASB 68 became effective June 30, 2015, and includes requirements to record and report proportionate shares of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions.

In accordance with GASB 68, the VFCA has a special funding situation in which the State is legally responsible for making contributions directly to the VFCA on behalf of volunteer employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a volunteer fire company's collective net pension liability that is associated with the non-State volunteer employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State as a nonemployer proportionate share	$ 10,087	$ 7,667	100%

At June 30, 2019, the State reported a liability of $7.7 million for its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The nonemployer's proportion of the net pension liability was based on the nonemployer's contributions received by the VFCA during the measurement period, July 1, 2017, through June 30, 2018, relative to total contributions received.

Changes in actuarial assumptions and methods: There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the nonemployer's reporting date that are expected to have a significant effect on the nonemployer's proportionate share of the collective net pension liability.

Grant Expense Related to Special Funding

The State as a nonemployer contributing entity recognized grant expense of $664.1 thousand for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERA for its proportionate share of the VFCA pension expense that is associated with other employer participants in the plan.

Deferred Outflows and Inflows

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $2.2 million.

As of the fiscal year ended June 30, 2019, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to VFCA from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ —	$ 884
Change of assumptions	761	—
Net difference between projected and actual earnings on pension plan investments	—	33
Contributions paid to VFCA subsequent to the measurement date – FY 2019 contributions	2,361	—
Totals	$ 3,122	$ 917

Amounts reported as deferred outflows of resources related to pensions resulting from the State's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**
2020	$ 476
2021	(236)
2022	(323)
2023	(73)
2024	—
Thereafter	—

<u>**Teachers' Retirement System**</u> – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS as an employer does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has a one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also now currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than 1.6667 x AFC x years of creditable service)

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier 1 members is 1.5% of the benefit payable as of January 1. For Tier Two members the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions to the System
All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.35% of compensation provided to an active, nonreemployed member. All school district and other employers are required to contribute 8.97% of an active, nonreemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA, this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute $25 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

Actuarial Assumptions
The total pension liability as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the July 1, 2018, valuation were based on the results of the last actuarial experience study, dated May 2018. Among those assumptions were the following:

• Total Wage Increases	3.25% to 7.76% for non-university members
(includes 3.25% general wage increase assumption)	4.25% for university members
• Merit Increases	0 to 4.51% for non-university members
	1.00% for university members
• Investment Return	7.50%
• Price Inflation	2.50%
• Admin Expense as a % of Payroll	0.36%

- Postretirement Benefit Increases (starting three years after retirement)
  - Tier One members: If the retiree has received benefits for at least three years, the retirement allowance will be increased by 1.5% on January 1.

- ◦ Tier Two members: The retirement allowance will be increased by an amount equal to or greater than 0.5% but no more than 1.5% if the most recent actuarial valuation shows the TRS to be at least 90.0% funded and the provisions of the increase is not projected to cause the funded ratio to be less than 85.0%.
- Mortality among contributing members, service retired members, and beneficiaries:
  - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future.
- Mortality among disabled members
  - For Males: RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022.
  - For Females: RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating TRS members, employers, and nonemployer contributing entities will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. In addition to these contributions, the State General Fund will contribute $25.0 million annually to the TRS payable July 1 of each year. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Target Allocations

The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation). Estimates of variability and correlations for each asset class, were developed by the TRS's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2017 Edition by Horizon Actuarial Service, LLC, yield a median real return of 5.07%. The TRS's recommended assumption of 5.00% for the real return reflects granting each source some degree of credibility. Combined with the 2.50% inflation assumption, the resulting nominal return is 7.50%. Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of June 30, 2018, is summarized in the table below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Broad US Equity	35.00%	6.68%
Broad International Equity	18.00%	6.98%
Private Equity	10.00%	10.15%
Natural Resources	3.00%	4.09%
Core Real Estate	7.00%	5.38%
TIPS	3.00%	1.78%
Intermediate Duration Bonds	19.00%	2.15%
High Yield Bonds	3.00%	4.36%
Cash	2.00%	0.81%
Total	100.00%	

Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

(in thousands)

	1.0% Decrease (6.50%)	Current Discount Rate	1.0% Increase (8.50%)
State as an employer in TRS – net pension liability	$ 65,186	$ 47,407	$ 32,515
State as a nonemployer contributing entity to TRS – net pension liability	963,094	700,417	480,403

Net Pension Liability

In accordance with GASB 68, employers and nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, the TRS has a special funding situation in which the State is legally responsible for making contributions directly to TRS that are used to provide pension benefits to the retired members of the TRS. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective net pension liability that is associated with the non-State employer.

(dollars presented in thousands)

	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/18	Percent of Collective NPL
State's as an employer entity	$ 48,227	$ 47,407	2.554088%
State's as a nonemployer entity	642,958	700,417	37.735743%
State of Montana totals	$ 691,185	$ 747,824	40.289831%

At June 30, 2019, the State reported a liability of $747.8 million for its proportionate share of the net pension liability as an employer and nonemployer contributing entity. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The employer's proportion of the net pension liability was based on the State's contributions received by the TRS during the measurement period, July 1, 2017, through June 30, 2018, relative to all contributions received from the TRS's participating employers and the nonemployer contributing entity.

Changes in actuarial assumptions and methods: As a result of the recent actuarial experience study, dated May 2018, the following changes to the actuarial assumptions were made since the previous measurement date:

- Assumed rate of inflation was reduced from 3.25% to 2.50%
- Payroll growth assumption was reduced from 4.00% to 3.25%
- Investment return assumption was reduced from 7.75% to 7.50%
- Wage growth assumption was reduced from 4.00% to 3.25%
- Mortality among contributing members, service retired members, and beneficiaries was updated to the following:
    - For Males and Females: RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvement which is expected to occur in the future.
- Mortality among disabled members was updated to the following:
    - For Males: RP-2000 Disabled Mortality Table, set back three years, with mortality improvements projected by Scale BB to 2022.
    - For Females: RP-2000 Disabled Mortality Table, set forward two years, with mortality improvements projected by Scale BB to 2022.
- Retirement rates were updated
- Termination rates were updated
- Rates of salary increases were updated

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

Changes in proportionate share: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Employer Pension Expense and Nonemployer Contributing Entity Special Funding Grant Expense

At June 30, 2019, the State as an employer recognized a pension expense of $11.5 million for its proportionate share of the collective TRS pension expense. The State as a nonemployer contributing entity also recognized grant expense of $41.4 million for special funding support provided by the State's General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the TRS. Total pension related expenses for fiscal year 2019 was $52.9 million.

Deferred Outflows and Inflows

At June 30, 2019, the State as an employer recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $17.3 million.

As of the fiscal year ended June 30, 2019, the State as an employer reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the TRS from the following sources:

	(in thousands) Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 338	$ 29
Net difference between projected and actual earnings on pension plan investments	—	428
Change of assumptions	3,864	70
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,951	1,198
Contributions paid to TRS subsequent to the measurement date – FY 2019 contributions	16,538	—
Totals	$ 32,691	$ 1,725

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions made subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	*(in thousands)* Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2020	$ 7,677
2021	5,309
2022	1,663
2023	(221)
2024	—
Thereafter	—

At June 30, 2019, the State as a nonemployer contributing entity recognized a beginning deferred outflow of resources for fiscal year 2018 contributions of $43.7 million.

As of the fiscal year ended June 30, 2019, the State as a nonemployer contributing entity reported its proportionate share of deferred outflows of resources and deferred inflows of resources from the following sources:

	(in thousands)	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 4,998	$ 437
Net difference between projected and actual earnings on pension plan investments	—	6,322
Changes of assumptions	57,095	1,037
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,910	29,044
Contributions paid to TRS subsequent to the measurement date – FY 2019 Contributions	44,333	—
Totals	$ 112,336	$ 36,840

Amounts reported as deferred outflows of resources related to pensions resulting from the nonemployer's contributions subsequent to the June 30, 2018, measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in grant expense as follows:

	(in thousands)
Year ended June 30:	**Amount recognized in Grant Expense as an increase or (decrease) to Grant Expense**
2020	$ 18,583
2021	16,529
2022	(688)
2023	(3,261)
2024	—
Thereafter	—

D. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress, and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2019. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and do not amortize within 30 years.

E. Public Employee Defined Contribution Retirement Plans

Public Employees' Retirement System-Defined Contribution Retirement Plan – The Public Employees' Retirement System - Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002,

and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DBRC provides retirement, disability and death benefits to plan members and their beneficiaries.

Member and Employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2019, is $7.5 million and contribution forfeitures were $414.7 thousand.

Local government entities contribute 8.57% of member compensation. School district employers contributed 8.30% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.67% of member compensation.

The total contribution rate of 8.67%, referenced in the preceding paragraph, is allocated as follows: 8.33% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

457-Deferred Compensation Plan – The 457-Deferred Compensation Plan (457-Plan) is a voluntary supplemental retirement savings plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 53 non-state entity employers participate in the 457-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower Retirement™ is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

F. Montana University System Retirement Program

Montana University System-Retirement Program (MUS-RP) – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.57% per Section 19-3-316, MCA and Section 19-3-315, MCA.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and the employee life expectancy at retirement. Under the MUS-RP, each employee enters into an individual contract with TIAA. Individuals are immediately vested with all contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were $16.7 million and the total employee contributions were $19.3 million for the fiscal year ended June 30, 2019.

G. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. The fair value of direct real estate investments is based on the latest appraised value. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

H. Long-term Contracts for Contributions

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their Employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2019, there were 260 employees participating in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2019 totaled $136.7 thousand. The outstanding balance at June 30, 2019, totaled $12.8 thousand.

I. Litigation

Tadman, et al. v. State. A retired member of the Sheriffs' Retirement System filed a class action in the eighth Judicial District of Montana against the State of Montana on October 6, 2015, alleging the inappropriate advising, reporting, and withholding of state and federal income taxes on certain line-of-duty disability benefits before conversion to a normal retirement benefit. The plaintiff is represented by Lawrence A. Anderson, an attorney located in Great Falls, Montana. The State was served with the Complaint on November 25, 2015, and is represented by Jean Faure and Jason Holden of the Faure Holden law firm in Great Falls, Montana. On June 11, 2019, the Court issued an Order granting Plaintiff's Motion to Certify Class. The Court has defined the prospective class of plaintiffs in this matter and the parties were instructed by the Court to meet and confer to agree on the class form of notice and notice plan concerning the matter.

Murnion v. MPERA AND PERB. A retired member of the Public Employees' Retirement System appealed a Final Order of the PERB upholding the Hearing Examiner's Proposed Findings of Fact and Conclusions of Law determining that the retired member was not entitled to full-time PERS service credit for his part-time years of employment. On March 15, 2019, the retired member filed a Petition for Appeal of Agency Action and Complaint in the first Judicial District of Montana in order to appeal the PERB's Final Order under the provisions of the Montana Administrative Procedure Act (MAPA). On June 26, 2019, MPERA filed a motion to vacate any forthcoming Scheduling Order, set a briefing schedule to control the judicial review of this matter, and dismiss the retired member's Count II and III for failure to state a claim within the Court's jurisdiction, or, in the alternative, confine any review of each claim to the administrative record. On July 12, 2019, a Scheduling Order was issued by the Court calling for additional periods for discovery and setting a date for a two-day non-jury bench trial beginning on July 8, 2020. On July 15, 2019, Petitioner filed a response to MPERA's motion, and MPERA filed a reply on July 19, 2019. A notice of submittal was filed by MPERA on July 22, 2019. An estimate of the potential liability for the Murnion case cannot be made.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information Non-trust Plans

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by State retirement plan. Further detail on State Retirement Plans are provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

B. Plan Descriptions

Both healthcare OPEB plans for the State and MUS are reported as single employer plans. In addition to the primary government, the participating employers under the State OPEB plan are: Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are: Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are: Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post employment healthcare benefits on a pay-as-you-go basis. Section 2-18-8, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-13, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans. The healthcare OPEB plans are reported as agency funds. There are no assets or liabilities as only contributions collected and distributions made are reflected in these funds.

As of December 31, 2018, the State OPEB plan's administratively established retiree medical premiums vary between $439.00 and $1,633.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $41.10 and $70.00 per month and vision hardware premiums vary between $7.64 and $22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

As of June 30, 2019, the MUS OPEB plan's administratively established retiree medical premiums vary between $327.00 and $2,403.00 per month. Retiree dental premiums vary between $52.00 and $156.00 per month while vision premiums vary from $9.71 to $28.31, depending on the types and number of dependents enrolled. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare.

C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state that an employee enrolled in the OPEB plan who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2019.

The number of State Plan participants as of March 31, 2018[(1)], follows:

State Plan Participants

Enrollment	State (2)	Facility Finance Authority (3)	Montana Board of Housing (3)	Public Employee Retirement Board (3)	Montana State Fund (3)	Teachers Retirement System (3)	Total
Active employees	12,210	1	15	46	293	20	12,585
Retired employees, spouses, and surviving spouses	2,846	2	3	1	14	7	2,873
Total	15,056	3	18	47	307	27	15,458

The number of MUS Plan participants as of March 31, 2018[(1)], follows:

MUS Plan Participants

Enrollment	MSU-GFC (3)	UM-HC (3)	MSU-Billings (3)	MSU-Bozeman (3)	MSU-Northern (3)	OCHE (2)	UM-Missoula (3)	UM-MT Tech (3)	UM-Western (3)	Total
Active employees	120	97	462	3,094	176	61	2,143	437	188	6,778
Retired employees, spouses, and surviving spouses	7	20	136	578	42	23	579	102	61	1,548
Total	127	117	598	3,672	218	84	2,722	539	249	8,326

(1) Due to roll-forward of the actuary report, Plan Participants are the same as the previous measurement date.
(2) Primary Government
(3) Discrete Component Units of Primary Government

D. Schedule of Changes in Total OPEB liability

The following table presents the other items related to and changes in the total OPEB liability:

Annual OPEB Cost & Changes in Total OPEB liability
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2018 (1)	$ 49,473	$ 986	$ 50,459	$ 401	$ 35,037	$ 35,438
Changes for the year:						
Service cost	2,017	45	2,062	12	1,940	1,952
Interest	1,947	43	1,990	9	1,486	1,495
Changes of assumptions or other inputs	2,828	67	2,895	8	1,343	1,351
Benefit payments	(1,672)	(37)	(1,709)	(5)	(883)	(888)
Net changes	5,120	118	5,238	24	3,886	3,910
Balances at 6/30/2019 (2)	$ 54,593	$ 1,104	$ 55,697	$ 425	$ 38,923	$ 39,348

(1) Primary Government and Discrete Component Unit beginning balance for the Total OPEB Liability of the State Plan includes a prior period adjustment of $3.0 thousand between the State and Facility Finance Authority.
(2) State and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2018 and 2019 for the State Plan was 100% both years and for the MUS Plan is 95.62% and 95.59%, respectively.

E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements, is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2017, rolled forward to March 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Other Postemployment Benefits
State Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	$ 13,572	$ 5,268
After Medicare eligibility	5,271	4,403
Actuarial valuation date	December 31, 2017	
Experience study period	January 1, 2015 through December 31, 2017	
Actuarial measurement date [1]	March 31, 2019	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Remaining amortization period	20 years	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.79%	
Projected payroll increases	4.00%	
Participation:		
Future retirees	55.00%	
Future eligible spouses	60.00%	
Marital status at retirement	70.00%	

[1] Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Health: For TRS, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

Changes in benefit terms since last measurement date: None.

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

Other Postemployment Benefits
MUS Single Employer Plan

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	$ 11,264	$ 4,728
After Medicare eligibility	4,806	3,620
Actuarial valuation date	December 31, 2017	
Actuarial measurement date (1)	March 31, 2019	
Experience study period	January 1, 2015 through December 31, 2017	
Actuarial cost method	Entry age normal funding method	
Amortization method	Open basis	
Remaining amortization period	20 year period	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.79%	
Projected payroll increases	4.00%	
Participation:		
Future retirees	55.00%	
Future eligible spouses	60.00%	
Marital status at retirement	70.00%	

(1) Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Health: For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: Changes in actuarial assumptions include interest rate based upon the March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

Changes in benefit terms since last measurement date: None.

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.79 percent) or 1-percentage-point higher (4.79 percent) than the current discount rate:

	State OPEB plan (in thousands)		
	1.0% Decrease (2.79%)	Current Discount Rate (3.79%)	1.0% Increase (4.79%)
Primary Government	$ 67,045	$ 54,593	$ 45,078
Discrete Component Units	1,422	1,104	865
Total OPEB liability	$ 68,467	$ 55,697	$ 45,943

	MUS OPEB plan (in thousands)		
	1.0% Decrease (2.79%)	Current Discount Rate (3.79%)	1.0% Increase (4.79%)
Primary Government	$ 518	$ 425	$ 353
Discrete Component Units	47,107	38,923	32,564
Total OPEB liability	$ 47,625	$ 39,348	$ 32,917

Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current healthcare cost trend rates:

	State Plan (in thousands)		
	1.0% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1.0% Increase (8.0%)
Primary Government	$ 44,316	$ 54,593	$ 68,535
Discrete Component Unit	847	1,104	1,460
Total OPEB liability	$ 45,163	$ 55,697	$ 69,995

	MUS Plan (in thousands)		
	1.0% Decrease (6.0%)	Current Healthcare Cost Trend Rate (7.0%)	1.0% Increase (8.0%)
Primary Government	$ 347	$ 425	$ 528
Discrete Component Unit	31,821	38,923	48,321
Total OPEB liability	$ 32,168	$ 39,348	$ 48,849

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2019, the State OPEB plan's OPEB expense is $2.0 million and MUS OPEB plan's OPEB expense is $2.3 million.

At June 30, 2019, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 4,064
Changes of assumptions or other inputs	2,828	254
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	2,496	—
Total	$ 5,324	$ 4,318
Discrete Component Units		
Difference between expected and actual experience	$ 105	$ 373
Changes of assumptions or other inputs	74	23
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	40	—
Total	$ 219	$ 396

At June 30, 2019, MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Difference between expected and actual experience	$ —	$ 14
Changes of assumptions or other inputs	8	2
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	5	—
Total	$ 13	$ 16
Discrete Component Units		
Difference between expected and actual experience	$ —	$ 1,198
Changes of assumptions or other inputs	1,343	166
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	264	—
Total	$ 1,607	$ 1,364

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	State Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	State Plan Total
2020	$ (141)	$ (20)	$ (161)
2021	(141)	(20)	(161)
2022	(141)	(20)	(161)
2023	(141)	(20)	(161)
2024	(141)	(20)	(161)
Thereafter	(783)	(119)	(902)

	Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense		
	MUS Plan (in thousands)		
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total
2020	$ (1)	$ (5)	$ (6)
2021	(1)	(5)	(6)
2022	(1)	(5)	(6)
2023	(1)	(5)	(6)
2024	(1)	(5)	(6)
Thereafter	(5)	6	1

F. General Information Trust Plan

General Information
Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

Plan Description
The PERS-DCRP Disability is a multiple-employer cost sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports which include financial statements and required supplemental information for the plan. Those reports may be obtained online (http://mpera.mt.gov) or by contacting the following:

Public Employees' Retirement Board
100 North Park, Suite 200
P.O. Box 200131
Helena, MT 59620-0131

G. Termination Benefits

During the year ended June 30, 2019, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for thirty-five employees provided for up to six months, one-time lump-sum incentive payments for thirty-six employees, and paid administrative leave for nine employees. In determining the termination benefit liability related to the continued coverage of group health insurance benefits, it was assumed that these benefits would be paid for the entire period of the arrangement.

During the year ended June 30, 2019, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for seventeen employees.

During the year ended June 30, 2019, the cost of termination benefits for the fiscal year was $510.2 thousand and $673.9 thousand for the State and its component units, respectively.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 641 policies during the 2019 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2019 growing season, with an 80.0% share of premiums and losses allotted to the Reinsurer and a 20.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of $17.4 thousand which is 20.0% of the estimated claims ($79.9 thousand) plus adjustment expenses through June 30, 2019. The amount deducted from the estimated claims as of June 30, 2019, for reinsurance was $63.9 thousand (80.0% of estimated claims). The premiums ceded to the reinsurer through June 30, 2019 were $990.6 thousand which was 80.0% of total premiums of $1.2 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

(2) Montana University System (MUS) Group Insurance Plan – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The Plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term care, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source are the three third-party claims administrators for the self-insured managed care plan. Allegiance Benefit Plan Management, Blue Cross and Blue Shield of Montana, and Pacific Source have contracts for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be $10.0 million as of June 30, 2019, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers' Compensation Program – This plan was formed to provide self-insured workers compensation coverage for employees of the MUS. The MUS Board of Regents provides workers'

compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of $750.0 thousand per occurrence ($500.0 thousand for claims occurring prior to July 1, 2013) and $1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of $1.0 million above the self-insured amount of $750.0 thousand ($500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2019, the program ceded $311.5 thousand in premiums to reinsurers.

Premium rates for all participating campuses are established by the MUS Workers' Compensation Program Committee based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of $6.8 million for estimated claims at June 30, 2019. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus the expenses of administration, less other income earned. Employers share in the reimbursement in two ways: (1) If self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year. (2) If insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2019, the amount of this liability was estimated to be $2.3 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	Hail Insurance		MUS Group Insurance Plan		MUS Workers Compensation	
	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of year	$ 35	$ 2	$ 10,200	$ 10,000	$ 5,831	$ 7,298
Incurred claims and claim adjustment expenses: provision for insured events of the current year	422	120	88,473	86,485	2,523	2,794
Less excess insurance reimbursement	-	-	-	-	-	-
Increase (decrease) in provision for insured events of prior years	96	12	-	-	93	(1,273)
Total incurred claims and claim adjustment expenses	518	132	88,473	86,485	2,616	1,521
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year	(405)	(85)	(88,673)	(86,285)	(644)	(605)
Claims and claim adjustment expenses attributable to insured events of prior years	(131)	(14)	-	-	(1,014)	(2,383)
Total payments	(536)	(99)	(88,673)	(86,285)	(1,658)	(2,988)
Total unpaid claims and claim adjustment expenses at end of year	$ 17	$ 35	$ 10,000	$ 10,200	$ 6,789	$ 5,831

B. Entities Other Than Pools

(1) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the $1.5 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against losses of property below $1.5 million of value, with State agencies paying the first $1.0 thousand. Commercial property insurance protects approximately $5.8 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of $2.0 million for earthquake and $2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study, prepared by Willis Towers Watson Company, and issued for the accident period July 1, 2009, through June 30, 2019, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2019, estimated claims liability was $16.2 million.

(2) Employee Group Benefits Plans – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Allegiance as the third-party administrator for medical coverage. Delta Dental is the administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2019, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were $18.9 million as

provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2020, $18.7 million of these claims liabilities are estimated to be paid.

(3) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2019, estimated the cost of settling claims that have been reported, but not settled, and claims that have been incurred, but not reported. At June 30, 2019, $44.3 million of unpaid claims and claim adjustment expenses were reported at face value.

(4) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred, but not reported, claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	Administration Insurance Plans		Employers Group Benefits Plan		State of Montana Old Fund	
	2019	2018	2019	2018	2019	2018
Amount of claims liabilities at the beginning of each fiscal year	$ 15,180	$ 16,054	$ 17,723	$ 17,696	$ 31,109	$ 32,212
Incurred claims:						
Provision for insured events of the current year	4,803	4,714	175,435	171,930	-	-
Increase (decrease) in provision for insured events of prior years	12,348	11,070	(1,672)	(4,013)	22,193	6,002
Total incurred claims	17,151	15,784	173,763	167,917	22,193	6,002
Payments:						
Claims attributable to insured events of the current year	(2,167)	(1,852)	(156,695)	(154,468)	-	-
Claims attributable to insured events of prior years	(14,007)	(14,806)	(15,895)	(13,422)	(9,036)	(7,105)
Total payments	(16,174)	(16,658)	(172,590)	(167,890)	(9,036)	(7,105)
Total claims liability at end of each fiscal year	$ 16,157	$ 15,180	$ 18,896	$ 17,723	$ 44,266	$ 31,109

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2019, the Department of Transportation had contractual commitments of approximately $294.4 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matched with state special revenue funds.

B. Capital Construction

At June 30, 2019, the Department of Administration, Architecture & Engineering Division, had commitments of approximately $30.4 million for capital projects construction. The primary government will fund $3.7 million of these projects, with the remaining $26.8 million funding coming from the Montana University System.

At June 30, 2019, Fish, Wildlife, and Parks (FWP) had contractual commitments of approximately $4.6 million for engineering and construction of various capital projects. The majority of the funding for these projects is to be provided by federal grants and state special revenue funds.

C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2019, BOI had committed, but not yet purchased, $38.7 million in loans from Montana lenders. In addition to the above commitments, lenders had reserved $23.9 million for loans as of June 30, 2019. As of June 30, 2019, another $1.7 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

The BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2019, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

The BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2019, totaled $33.0 million.

D. Department of Corrections Bond Commitments

At June 30, 2019, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of $12.6 million of which $1.7 million in principal payments are scheduled to be paid by June 30, 2020. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Department of Labor and Industry Commitments

At June 30, 2019, Department of Labor and Industry, had $1.8 million contractual commitments for Montana State AmeriCorps Programs and a $2.3 million commitment for IT contracts. The funding for these programs is federal grants and state special revenue funds.

F. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

Enterprise Funds	Amount
Hail Insurance	$ 13
Liquor Warehouse	219
Prison Industries	3
Secretary of State Business Services	1,957
West Yellowstone Airport	4
Subtotal - Enterprise funds	$ 2,196
Internal Service Funds	
Aircraft Operations	$ 195
Commerce Centralized Services	5
Labor Central Services	1,048
Admin Central Services	2
Print and Mail Services	70
Buildings and Grounds	80
Subtotal - Internal Service funds	$ 1,400

G. Encumbrances

As of June 30, 2019, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	Federal Special Revenue Fund	General Fund	Nonmajor Governmental Funds	State Special Revenue Fund	Total
Encumbrances	$ 47,391	$ 17,178	$ 431	$ 60,810	$ 125,810

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2019, were as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2020	$ 3,939	$ 18
2021	3,598	—
2022	2,877	—
2023	1,710	—
2024	774	—
2025 - 2029	229	—
Total minimum payments	13,127	18
Less: interest	(582)	—
Present value of minimum payments	$ 12,545	$ 18

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

Asset Class	
Buildings	$ 1,596
Equipment	21,496
Less: Accum Depreciation	(9,901)
Net Book Value	$ 13,191

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2019 totaled $27.5 million. Future rental payments under operating leases are as follows (in thousands):

Fiscal Year Ending June 30:	Governmental Activities	Business-Type Activities
2020	$ 23,746	$ 584
2021	18,961	592
2022	17,689	559
2023	19,012	563
2024	13,239	563
2025 - 2029	47,159	1,656
2030 - 2034	26,741	744
Thereafter	15,392	888
Total future rental payments	$ 181,939	$ 6,149

NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES

A. General Information

The State has no constitutional limit on its power to issue obligations or incur debt, other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

During fiscal year 2019, the State issued two bond anticipation notes. The proceeds of Water/Wastewater 2019B and Drinking Water 2019A will be used to fund water and wastewater system improvements and rehabilitation. The State issued three bond anticipation notes during fiscal year 2016, the last of which was paid off during fiscal year 2019. The State issued one bond anticipation note in fiscal year 2017 and two bond anticipation notes in fiscal year 2018, all of which were paid off during fiscal year 2019. The following schedule summarizes the activity for the year ended June 30, 2019 (in thousands):

BANS	Beginning Balance	Additions	Reductions	Ending Balance
Drinking Water – 2015B	350	—	350	—
Coal Severance Tax – 2016E	1,180	520	1,700	—
Water/Wastewater – 2017B	450	1,050	1,500	—
Drinking Water – 2017C	900	1,600	2,500	—
Drinking Waste – 2019A (1)	—	1,400	—	1,400
Water/Wastewater – 2019B (1)	—	1,190	—	1,190

(1) These bond anticipation notes have not been fully drawn at fiscal year-end.

The Board of Investments (BOI) of the State is authorized to issue Intermediate Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than $190.0 million as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from (1) repayments of principal and interest on loans made by BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by BOI. BOI has no taxing power. The bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. BOI did not enter into an arms-length financing agreement to convert the bonds "put," or tender, and were not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are included in short-term debt. The amounts issued and outstanding at June 30, 2019, were as follows (in thousands):

Series	Amount Issued	Balance June 30, 2019
2000	$ 15,000	$ 14,255
2003	15,000	14,330
2004	18,500	18,000
2007	15,000	14,650
2010	12,000	11,900
2013	12,000	11,970
2017	20,000	19,960
		$ 105,065

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2019 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	$ 105,110	$ —	$ 45	$ 105,065

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding at June 30, 2019, were as follows (in thousands):

Governmental Activities	Series	Amount Issued	Interest Range (%) (1)	Principal Payments: Fiscal Year 2020	Principal Payments: In Year of Maturity (2)	Balance June 30, 2019
General obligation bonds						
Hard Rock Mining Reclamation	2002C	$ 2,500	3.5-4.7	$ 170	200 (2023)	$ 740
CERCLA Program (5)	2005D	2,000	3.25-4.3	110	140 (2026)	875
Energy Conservation Program (4)	2006B	3,750	4.0-6.0	305	330 (2022)	955
Long-Range Bldg Program	2008D	3,100	3.375-4.35	150	220 (2028)	1,645
Long-Range Bldg Program Refunding	2010A	20,220	2.0-4.0	685	710 (2021)	1,395
Drinking Water Revolving Fund Refunding (3)	2010B	5,400	2.0-4.0	510	110 (2026)	1,750
Trust Land (Taxable)	2010F	21,000	1.55-4.9	970	1,450 (2031)	14,235
Long-Range Bldg Program	2010G	550	1.5-2.7	60	60 (2021)	120
Long-Range Bldg Program Refunding	2011D	5,755	3.0 -3.25	650	720 (2023)	2,735
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	670	115 (2025)	3,680
Water Pollution Control Revolving Fund (Taxable)(3)	2013D	1,035	0.4-3.7	105	120 (2024)	555
Water Pollution Control Revolving Fund (3)	2013E	5,000	2.0-3.0	300	300 (2024)	1,500
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,035	820 (2028)	19,590
Long-Range Bldg Program Refunding	2015A	9,340	2.0-4.0	1,260	1,260 (2020)	1,260
Water Pollution Control Revolving Fund (3)	2015C	24,365	3.0-5.0	870	1,860 (2036)	22,055
Total general obligation bonds		$139,605		$ 8,850		$ 73,090
Special revenue bonds						
State Hospital Project (6)	2018	$ 4,575	4.0-5.05	$ 1,095	1,165 (2022)	$ 3,390
Renewable Resource Program (7)	2003A	3,000	1.05-4.05	180	215 (2024)	985
Renewable Resource Program (7)	2010B	1,730	2.0-3.6	80	115 (2031)	1,145
Renewable Resource Program (Taxable) (7)	2010C	6,720	0.9-4.2	395	170 (2031)	3,935
U.S. Highway 93 GARVEE (8)	2012	50,915	0.9-1.9	11,040	11,040 (2020)	11,040
Renewable Resource Program (7)	2013A	2,255	2.0-3.625	140	185 (2029)	1,600
Renewable Resource Program (Taxable) (7)	2013B	3,390	1.0-4.75	205	290 (2029)	2,420
U.S. Highway 93 GARVEE Refunding (8)	2016	22,540	0.74-1.86	3,225	3,740 (2023)	13,910
Total special revenue bonds		$ 95,125		$ 16,360		$ 38,425

Governmental Activities	Amount Issued	Interest Range (%) (1)	Principal Payments Fiscal Year 2020	Principal Payments In Year of Maturity (2)	Balance June 30, 2019
Notes Payable					
Middle Creek Dam Project (9)	$ 3,272	8.125	$ 92	226 (2034)	$ 1,945
Tongue River Dam Project (10)	11,300	—	290	290 (2038)	5,506
ITSD IBM Mainframes Maintenance	500	1.07	127	127 (2020)	127
ITSD IBM Professional Services	758	0.19	163	72 (2023)	572
Total notes payable	$ 15,830		$ 672		$ 8,150
Subtotal governmental activities, before unamortized balances					119,665
Unamortized discount					(7)
Unamortized premium					7,461
Total governmental activities	$ 250,560		$ 25,882		$ 127,119

(1) The interest range is over the life of the obligation.
(2) Year of maturity refers to fiscal year.
(3) These bonds provide matching funds to enable the State to obtain capitalization grants from the U.S Environmental Protection Agency for water system development loans to state political subdivisions.
(4) Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.
(5) The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued for the purpose of financing the costs of State of Montana participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.
(6) Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana State Hospital Project.
(7) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.
(8) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. Repayment of the bonds is secured by a pledge of certain federal aid revenues.
(9) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.
(10) Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2019, were as follows (in thousands):

	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
Year Ended June 30:	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 8,850	$ 2,990	$ 16,360	$ 1,657	$ 672	$ 54
2021	7,825	2,706	5,555	974	552	48
2022	7,080	2,485	5,790	729	560	45
2023	6,825	2,145	4,860	472	466	41
2024	6,155	1,870	1,165	238	398	40
2025 - 2029	22,205	5,706	4,140	561	2,067	204
2030 - 2034	10,520	2,045	555	27	2,276	204
2035 - 2039	3,630	184	—	—	1,159	—
Total	$ 73,090	$ 20,131	$ 38,425	$ 4,658	$ 8,150	$ 636

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2019, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Governmental activities						
Bonds/notes payable						
General obligation bonds	$ 84,460	$ —	$ 11,370	$ 73,090	$ 8,850	$ 64,240
Special revenue bonds	56,435	—	18,010	38,425	16,360	22,065
Notes payable	9,307	—	1,157	8,150	672	7,478
	150,202	—	30,537	119,665	25,882	93,783
Unamortized discount	(8)	1	—	(7)	—	(7)
Unamortized premium	9,095	—	1,634	7,461	—	7,461
Total bonds/notes payable (2)	159,289	1	32,171	127,119	25,882	101,237
Other liabilities						
Lease/installment purchase payable	13,698	2,458	3,611	12,545	3,684	8,861
Operating lease rent holiday	17	—	9	8	8	—
Pension benefits payable	4	—	—	4	2	2
Compensated absences payable (1)	101,759	54,683	54,757	101,685	54,443	47,242
Arbitrage rebate tax payable (1)	83	—	83	—	—	—
Estimated insurance claims (1)	64,013	213,107	197,802	79,318	30,662	48,656
Pollution remediation	198,645	—	20,795	177,850	19,509	158,341
Net pension liability (3)	1,831,200	564,245	174,680	2,220,765	—	2,220,765
Total OPEB liability	48,930	5,079	—	54,009	—	54,009
Total other liabilities	2,258,349	839,572	451,737	2,646,184	108,308	2,537,876
Total governmental activities long-term liabilities	$ 2,417,638	$ 839,573	$ 483,908	$ 2,773,303	$ 134,190	$ 2,639,113
Business-type activities						
Lease/installment purchase payable	$ 231	$ —	$ 213	$ 18	$ 18	$ —
Compensated absences payable	2,042	1,030	1,050	2,022	1,048	974
Arbitrage rebate tax payable	17	70	43	44	43	1
Estimated insurance claims	18,960	91,609	91,500	19,069	12,717	6,352
Net pension liability (3)	16,371	123	4,551	11,943	—	11,943
Total OPEB liability	942	65	—	1,007	—	1,007
Total business-type activities long-term liabilities	$ 38,563	$ 92,897	$ 97,357	$ 34,103	$ 13,826	$ 20,277

(1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The arbitrage rebate tax payable will be liquidated by debt service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

(2) Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

(3) The total net pension liability beginning balances were restated due to a prior period adjustment.

F. Refunded and Early Retired Debt

Refunded

On July 24, 2018, the Facility Finance Authority (FFA) issued revenue refunding bonds in the amount of $4.6 million to make a current refunding of $6.8 million Series 1997 Montana State Hospital Revenue Bonds. The refunding resulted in an economic gain of $174.9 thousand and a difference in cash flow requirements of $2.6 million.

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to make a prepayment of $180.0 thousand on Series 2010H general obligation bond, resulting in a payoff.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected on the accompanying financial statements.

Montana Board of Investments (BOI)

BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases, the taxing power of the borrower are pledged to repay the bonds. At June 30, 2019, QZAB debt outstanding aggregated $5.0 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2019, QSCB debt outstanding aggregated $4.5 million.

Beginning Farm Loan Program

The Department of Agriculture is authorized to request issuance of bonds by BOI to finance projects for beginning farmers within the state, if it appears, after a properly noticed public hearing, that the project is in the public interest of the state. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State. The remaining balance of this bond was paid in full during 2019.

H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method as well as technical estimates from record of decisions, consent decrees and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2019, was $177.8 million. Of this liability, $6.2 million resulted in settlement agreements to provide restoration of natural resources, water supplies and natural resource-based recreational opportunities up to the settlement amount; $165.4 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and PCB contamination, as well as removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility on these matters.

I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was $133.5 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2019 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 81,451	$ 11,000	$ 3,510	$ 88,941

NOTE 12. INTERFUND BALANCES AND TRANSFERS

A. Balances Due From/To Other Funds

Balances due from/to other funds arise when there is a time lag between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system, and the dates on which payments are made. Balances also arise when there is a time lag between the dates that transfers between funds are recorded, and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2019, consisted of the following (in thousands):

	Due to Other Funds							
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds (3)	Nonmajor Governmental Funds	State Special Revenue	Total
Due from Other Funds								
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ 5	$ —	$ 5
Municipal Finance Programs	—	—	—	1,842	—	4	—	1,846
Federal Special Revenue	—	—	2,418	—	—	—	468	2,886
General Fund	—	863	—	—	17,422	—	12,728	31,013
Internal Service Funds	33	—	—	—	—	—	7	40
Nonmajor Enterprise Funds	—	2	—	—	—	—	—	2
Nonmajor Governmental Funds (1)	—	71	331	—	—	—	288	690
State Special Revenue (2)	—	—	121	—	—	694	—	815
Total	$ 33	$ 936	$ 2,870	$ 1,842	$ 17,422	$ 703	$ 13,491	$ 37,297

(1) Total due from other funds to the non-major governmental funds on the financial statements is reported as $1.6 million. The difference of $929.0 thousand between the amount reported above of $690.0 thousand and the amount reported in the fund financial statements relates to long-term receivables. The receivables are reported on the fund financial statement and the long-term liabilities are reported on the government-wide statement.

(2) Total due from other funds to the state special revenue fund on the fund financial statement is reported as $10.2 million. The difference of $9.4 million between the amount reported above of $815.0 thousand and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement and the long-term liabilities are reported on the government-wide statement.

(3) Total due to other funds from the non-major enterprise funds on the fund financial statement is reported as $17.7 million. The difference of $268.5 thousand between the amount reported above of $17.4 million and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement and the liabilities are reported on the fund financial statement.

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2019, consisted of the following (in thousands):

	Interfund Loans Payable					
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Interfund Loans Receivable						
General Fund	$ 1,678	$ 68,792	$ —	$ 357	$ 3,143	$ 73,970
Internal Service Funds	—	44	—	—	—	44
Nonmajor Enterprise Funds	—	13	—	—	9	22
State Special Revenue	—	83,762	15	—	—	83,777
Total	$ 1,678	$ 152,611	$ 15	$ 357	$ 3,152	$157,813

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2019, consisted of the following (in thousands):

	Advances from Other Funds				
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue	Total
Advances to Other Funds					
Coal Severance Tax	$ —	$ —	$ 1,725	$ —	$ 1,725
General Fund	300	—	—	63	363
Municipal Finance Programs	—	3,371	2,590	—	5,961
Nonmajor Governmental Funds	—	—	—	6,773	6,773
State Special Revenue	35,909	—	3,108	—	39,017
Total	$ 36,209	$ 3,371	$ 7,423	$ 6,836	$ 53,839

Additional detail for certain advance balances at June 30, 2019, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program

Departmental Function	Balance
Natural Resources and Conservation	$ 2,590
Transportation	3,371
Total	$ 5,961

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2019, consisted of the following (in thousands):

	Transfers Out								
	Coal Severance Tax	Federal Special Revenue	General Fund (1)	Internal Service Funds (2)	Land Grant	Nonmajor Enterprise Funds (3)	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers In									
Coal Severance Tax	$ —	$ —	$ —	$ —	$ —	$ —	$ 275	$ —	$ 275
Federal Special Revenue	—	—	—	—	—	—	—	2,368	2,368
General Fund (1)	18,172	135	—	638	6	48,212	—	55,416	122,579
Internal Service Funds	—	—	1,241	—	—	—	—	13,130	14,371
Land Grant	—	—	5	—	—	—	—	—	5
Nonmajor Enterprise Funds	—	—	—	69	—	—	—	25	94
Nonmajor Governmental Funds	635	17,814	9,664	160	1,601	—	508	9,602	39,984
State Special Revenue	21,182	14,137	48,066	20	64,752	7,789	19,667	—	175,613
Total	$ 39,989	$ 32,086	$ 58,976	$ 887	$ 66,359	$ 56,001	$ 20,450	$ 80,541	$ 355,289

(1) $60.7 million was transferred from the General Fund to the Budget Stabilization Reserve Fund, however, those funds are combined for reporting purposes. Therefore the transfer is not accounted for in the above table as both the transfer-in and the respective transfer-out have been eliminated as required for proper financial reporting.

(2) Total transfers-out for internal service funds on the fund financial statements is reported as $1.6 million. The difference of $663.2 thousand between the amount reported above of $887.0 thousand and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

(3) Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as $56.0 million. The difference of $10.7 thousand between the amount reported above of $56.0 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

NOTE 13. FUND EQUITY DEFICITS

The following funds have a deficit net position remaining at June 30, 2019, as follows (in thousands):

Fund Type/Fund	Deficit [1]
Governmental Funds	
Federal Special Revenue [2]	$ (12,614)
Federal/Private Construction Grants	(28)
Internal Service Funds	
Information Tech Services	$ (15,163)
Building and Grounds	(1,111)
Admin Central Services	(1,594)
Labor Central Services	(5,433)
Commerce Central Services	(1,256)
OPI Central Services	(1,948)
DEQ Indirect Cost Pool	(3,460)
Payroll Processing	(1,626)
Investment Division	(2,941)
Aircraft Operation	(617)
Justice Legal Services	(491)
Personnel Training	(170)
Other Internal Services	(444)
SABHRS Finance & Budget Bureau	(404)
Enterprise Fund	
State Lottery	$ (1,855)
Subsequent Injury	(811)

(1) The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7 respectively.

(2) The primary reason causing fund deficit in Federal Special Revenue Fund is due to CY2017 and CY2018 fire season federally reimbursable costs. The federal fund reimbursement was unavailable to receive within 60 days of 6/30/2019, creating a deferred inflow and a fund deficit in the same amount.

NOTE 14. MAJOR PURPOSE PRESENTATION

Special Revenue and Fund Balances Classifications by Purpose – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2019.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	$ 77,119	$ 44,902	$ 23,331	$ 3,498	$ 160	$ 85,400	$ 234,410
Taxes	221,994	4,238	261,298	—	1	15,544	503,075
Charges for services	40,467	21,023	6,638	33,845	1,935	16,625	120,533
Investment earnings	833	13,158	442	455	1,529	24,189	40,606
Securities lending income	—	44	—	1	5	60	110
Sale of documents/ merchandise/property	1,512	3,050	115	98	2	5,597	10,374
Rentals/leases/royalties	263	11	416	56	5	339	1,090
Contributions/premiums	28,440	—	—	—	—	305	28,745
Grants/contracts/donations	2,164	15,779	630	9,083	1,794	20,708	50,158
Federal	7,051	19	1	335	5	78	7,489
Federal indirect cost recoveries	—	—	49,891	43	—	4,477	54,411
Other revenues	2,150	558	335	209	170	66	3,488
Transfers in	45,259	7,962	1,491	8,158	886	111,857	175,613
Total State Special Revenue	$ 427,252	$ 110,744	$ 344,588	$ 55,781	$ 6,492	$ 285,245	$ 1,230,102

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Taxes	$ —	$ —	$ —	$ —	$ —	$ 1	$ 1
Charges for services	822	29	—	5,929	1	5	6,786
Investment earnings	282	16	—	—	100	201	599
Sale of documents/ merchandise/property	15	—	—	—	—	—	15
Grants/contracts/donations	—	—	—	17	—	—	17
Federal	93,337	17,802	517,211	1,919,819	196,211	103,669	2,848,049
Federal indirect cost recoveries	1	—	—	80,701	46	1,303	82,051
Other revenues	7	8	—	1,229	2	60	1,306
Transfers in	—	1,359	—	1,009	—	—	2,368
Total Federal Special Revenue	$ 94,464	$ 19,214	$ 517,211	$ 2,008,704	$ 196,360	$ 105,239	$ 2,941,192

Governmental Fund Balance By Function, June 30, 2019
(in thousands)

		Special Revenue		Permanent			
	General	State	Federal	Coal Severance Tax	Land Grant	Nonmajor	Total
Fund balances:							
Nonspendable							
Inventory	$ 3,501	$ 19,910	$ —	$ —	$ —	$ —	$ 23,411
Permanent fund principal	—	500	—	622,645	774,193	362,256	1,759,594
Long-term notes/receivables	363	—	—	—	—	—	363
Prepaid expense	333	396	119	—	—	—	848
Total nonspendable	4,197	20,806	119	622,645	774,193	362,256	1,784,216
Restricted							
General government	—	320	—	—	—	18,495	18,815
Public safety	—	204,134	—	—	—	1	204,135
Transportation	—	111,164	—	—	—	—	111,164
Health and human services	—	5,470	—	—	—	680	6,150
Education	—	14,438	—	—	—	20	14,458
Natural resources	—	741,624	—	—	—	11,696	753,320
Total restricted	—	1,077,150	—	—	—	30,892	1,108,042
Committed							
General government	60,721	154,593	—	533,092	—	30,488	778,894
Public safety	—	73,059	—	—	—	—	73,059
Transportation	—	16,781	—	—	—	—	16,781
Health and human services	—	44,461	—	—	—	—	44,461
Education	—	17,413	—	—	—	—	17,413
Natural resources	—	309,571	—	—	—	31,641	341,212
Total committed	60,721	615,878	—	533,092	—	62,129	1,271,820
Assigned							
General government	—	—	—	—	—	467	467
Public safety	—	—	—	—	—	338	338
Encumbrance	17,178	—	—	—	—	—	17,178
Total assigned	17,178	—	—	—	—	805	17,983
Unassigned	361,313	—	(12,733)	—	—	(28)	348,552
Total fund balance	$ 443,409	$ 1,713,834	$ (12,614)	$ 1,155,737	$ 774,193	$ 456,054	$ 4,530,613

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school's foundation is governed by a board of directors that annually approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A school employee is the person approving the expenses to be paid by the foundation based on its budget. The employee submits the approved invoices to the foundation's bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Department of Labor and Industry's Workforce Services Division rents space in Libby, MT, from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013 and ending June 30, 2021. The annual lease amount is currently set at $21.3 thousand.

The relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of $100.0 thousand for the fiscal year ended June 30, 2019.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of $19.7 thousand for the fiscal year ended June 30, 2019.

Per Section 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the SRF program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2019 was $3.1 million. The loans have interest rates ranging from 3.0% to 4.3% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, that includes recusing oneself in matters related to a conflict of interest. To ensure DEQ are following state law, all contracts are required to go through a competitive bidding process. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an employee of a company that had a release and is receiving funds; 2) an agent for an insurer that covered a station tank release and is receiving funds; 3) an officer in a bank that receives funds; and 4) a contractor for DEQ, that is responsible for clean-up oversite, and is also a shareholder of a separate company that receives funds. Total payments to all related parties were direct payments to the contractors in the amount of $146.4 thousand and $15.2 thousand, and indirect payments to the bank and the insurance company in the amount of $7.9 thousand and $11.9 thousand, respectively, for the fiscal year ended June 30, 2019.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board, along with being the Secretary of the MUSL board of directors. The Director of the Montana Lottery is in a management position for both MUSL and the Montana Lottery, who have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of $1.1 million for the fiscal year ended June 30, 2019. The prize reserve monies are assets to the Montana Lottery and would be transferred over if the lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough amount/number of winners for any particular draw, MUSL would then reimburse any state for the excess amount of prizes paid out. The Montana Lottery paid MUSL $8.9 million for its share of prizes and received reimbursements for prizes in the amount of $661.2 thousand for the fiscal year ended June 30, 2019.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

In State of Montana v. Philip Morris, Inc., No. CDV 97-306 (Mont. first Jud. Dist. Lewis & Clark County), the State of Montana filed various claims against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties, and attorney's fees. The lawsuit was resolved eventually through two settlements. The State first settled its claims against one of the manufacturers, Liggett & Meyers, Inc., for $1.0 million to be paid over a 20-year period. Next, Montana was among the Settling States that signed onto the 1998 Master Settlement Agreement (MSA) and settled its claims against the remaining manufacturers for a settlement amount calculated annually on cigarette sales by Participating Manufacturers in perpetuity. The base amount was augmented by $90.0 million in 1999 for a strategic contribution portion for those states instrumental in obtaining the settlement, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007 and ending in 2017. Multiple other tobacco product manufacturers joined the MSA after the initial signing period. Collectively, the signing manufacturers are known as "Participating Manufacturers."

The settlement provides that the tobacco product manufacturers may potentially offset, against their payment in any year, certain amounts of money if it is found that the Participating Manufacturers have lost more than 2% of their national market share (from 1997) to non-settling manufacturers (known as NPMs), and that the disadvantages imposed by the settlement were a "significant factor" in the market share loss. The settlement further provides that the offset, known as the "NPM adjustment," may not be taken against the payments to any state that has enacted a "Qualifying Statute" and diligently enforced the statute during the year in question. Montana enacted such a Qualifying Statute in 1999, Section 16-11-401 to 404, MCA, and complementary legislation in 2003, Section 16-11-501 to 512, MCA.

In March 2006, a determination was made (pursuant to the settlement) that the Participating Manufacturers had lost sufficient market share in 2003 to trigger an NPM adjustment analysis, and that disadvantages caused by the settlement were a significant factor in the market share loss. Similar findings have been made or agreed to for years 2004 through 2017. The State filed a motion in the Montana lawsuit seeking a declaration that it diligently enforced its Qualifying Statute during 2003. The Participating Manufacturers moved to compel arbitration of the question. The First Judicial District Court ordered arbitration but was overruled on appeal to the Montana Supreme Court. Virtually all of the other Settling States filed similar motions or new actions in their various court systems preferring to litigate their diligent enforcement disputes in court rather than in the tobacco companies proposed nationwide arbitration. Montana was the only state to prevail on its argument against arbitration before its highest state court. Montana then successfully defended the favorable ruling from a petition for rehearing in Montana and ultimately a *certiorari* petition to the U.S. Supreme Court filed by tobacco companies which the Court rejected.

Simultaneously, arbitration between the other Settling States and the tobacco companies commenced and proceeded to discovery. After the U.S. Supreme Court denied *cert* regarding Montana's participation in the arbitration, the tobacco companies sought and received a stay of Montana's litigation pending completion of the nationwide arbitration, effectively shutting Montana out of any opportunity for input or influence over standards for determining what constitutes "diligent enforcement," and potentially subjecting Montana to whatever standards may ultimately result from the ongoing nationwide arbitration for lack of any alternative interpretative precedent. Thereafter, the Montana Supreme Court granted Montana's writ for supervisory control, overturned the stay, and allowed the State's district court action to proceed to discovery.

The Montana litigation ended with entry of a stipulated consent decree on June 25, 2012, reflecting the tobacco companies' determination after initial discovery that they would not contest Montana's diligent enforcement during 2003. In the nationwide arbitration, and as applied to Montana's consent decree, a "no contest" determination for an individual state means that state would not participate in the NPM Adjustment for 2003, (*i.e.*, as a "no contest" state Montana had no reduction to its annual OPM settlement payments for 2003).

However, the "no contest" for 2003 has no precedential effect in any subsequent year for Montana or any other state's case. Accordingly, Montana was not subject to the 2003 NPM Adjustment, but the consent decree specifically articulated that Defendants' consent to its terms "is not a factual concession that Montana, in fact, did or did not diligently enforce the Montana Qualifying Statute in 2003 or any other year."

Despite Montana's successful defense of its 2003 and 2004 enforcement actions, no precedential protections exist, and the State remains vulnerable to further expected, litigation regarding its diligent enforcement in 2005-2017, for which years the Participating Manufacturers have already received a determination that MSA terms were a "substantial factor" reducing their market share and triggering an NPM Adjustment analysis with the potential to reduce annual payments for those Settling States which failed to diligently enforce their statutes.

The Participating Manufacturers conceded that Montana enacted a qualifying statute within the meaning of the MSA, which was in full force and effect during 2005-2016 and thereafter to date. Factual arguments exist to show that Montana diligently enforced its Qualifying Statute during 2005-2017. However, legal and procedural uncertainties exist that make an adverse determination possible. An adverse determination on the diligent enforcement issue could result in the loss of some or all of the MSA annual payments to the State for years 2005-2017, which would be recouped through an offset of payments due to Montana in future years. The Participating Manufacturers will assert claims for NPM adjustments for future years as well. The outcome of these claims is also uncertain.

In 2015, certain Settling States and Participating Manufacturers commenced multi-state arbitration of the issue of diligent enforcement for calendar year 2004. Montana is not a party to this arbitration; this arbitration continues.

Montana filed a Declaratory Judgment Motion in 2017 for the 2004 NPM Adjustment to have its MSA Court (First Judicial District) declare that Montana had a qualifying statute in place and diligently enforced its Qualifying Statute for the 2004 calendar year. The Participating Manufacturers conceded that Montana has a Qualifying Statute. As part of this action, Montana successfully obtained a ruling from its MSA Court on the burden of proof whereby the Participating Manufacturers must prove that Montana did not diligently enforce its Qualifying Statute to succeed under the NPM Adjustment. Montana is the only state party to the MSA with this ruling on the burden of proof. On the eve of trial, the Participating Manufacturers settled with Montana for all of the 2004 NPM Adjustment funds previously withheld plus interest and earnings. The settlement does not provide precedent for future NPM Adjustment proceedings with the exception of the ruling on the burden of proof.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State land trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability and the case proceeded to trial on the issue of compensation for use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost $41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court, and in March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the $41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome on this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with $1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately $31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the $41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for $31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court is able to rule on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case, also known as <u>State of Montana v. Talen Montana, LLC et al</u>. (Cause No. CV 16-35-H-DLC-JCL), was remanded to the United States District Court, District of Montana, Helena Division, and carries on with the Honorable Dana L. Christensen, United State Judge, assigned to further proceedings and entry of judgment. The District Court entered an order on February 12, 2019, joining the United States (U.S.) as a defendant, due to the potential of overlapping claims between the State and the U.S. After expiration of the statutory notice period required for claims against the U.S., the State's Complaint was amended to add the U.S. The U.S., Talen, and NW Energy have not yet filed answers to the Amended Complaint but will do so before year end 2019. The State's claims against the utilities remain unchanged and the State still holds the opinion that no further potential liability to the State is expected relative to this action and no additional updates are necessary in regard to the outstanding litigation.

<u>Diaz et al. v. Blue Cross and Blue Shield of Montana et al.</u> (Diaz), was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, Plaintiffs filed with the District court a motion for class certification. The District Court Judge denied Plaintiffs' motion for class certification on December 16, 2009. Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in <u>Diaz</u>. The District Court held that these laws do not apply to TPAs. Plaintiffs appealed this decision.

On December 21, 2011 the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 to 902, MCA, or under a third party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits within eight years before the filing of the Plaintiffs' complaint.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012, decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State conform its health plans, procedures, notices and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel are currently working on the notice.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest will begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

As of June 30, 2016, the State booked an accrual of approximately $1.5 million, which includes a base payment plus interest consistent with the District Court's April 13, 2015, order. Interest will be recalculated based on the Supreme Court's October 25, 2016, decision.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case. The Special Master has held several hearings regarding these issues and a recommended decision was expected to be issued in early 2018.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel $400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit

claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made whole analysis) because the State and the third party administrators programmatically failed to pay benefits for their covered medical costs. The District Court Judge has yet to approve these recommendations.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of $122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010 through June 30, 2016. Notice was distributed through email and first-class mail. Initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State is November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs $2.0 million, including the payment for residual funds and interest. Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Batista (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. The District Court dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. Recently, the Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) is ramping up discovery and the defense of the case through outside legal counsel. The department had previously exchanged settlement proposals without success. Because of recently passed legislation, the department is required to implement significant changes in the use of restrictive housing, especially with seriously mentally ill inmates. The Plaintiff has made a number of unreasonable demands that would cost the Department millions of dollars and at least $800.0 thousand in attorney's fees and undisclosed expert witness fees. At this time the Department cannot specify an anticipated amount of financial obligation.

Michael Jackson v. Montana Department of Corrections (Department), Montana State Prison (MSP) (Cause # DV-18-70) is a case pending in Powell County District Court. Mr. Jackson is a current employee, suing the Department for allowing race discrimination at MSP and creating a hostile work environment. He is seeking lost wages, humiliation, and emotional distress damages as well as attorney's fees and costs. The Human Rights Bureau found no reasonable cause in his claims. The Department has hired outside legal counsel to represent it in this matter. At this time, the Department is discussing a possible settlement of the case for a minimal amount.

Kila Sheperd v. Montana Department of Corrections (Department) is a Step III Grievance proceeding, in accordance with 2.21.8017, Administrative Rules of Montana (ARM), and the Department has hired outside counsel to represent it regarding Ms. Sheperd's termination from her position at the Department. Ms. Sheperd seeks in excess of $1.0 million for punitive damages, lost wages, loss of benefits, emotional distress, and attorney's fees.

Smith, et al. v. State of Montana (Cause # BDV-2018-804) is a case filed by a group of Medicaid recipients as well as a group of Medicaid providers. The allegations include violations of the Montana Administrative Procedure Act and other related allegations. The complaint also includes an alleged violation of the Americans with Disabilities Act based on a reduction in rates and resulting reductions in services. The rules in question set Medicaid reimbursement rates at 2.99% less than the previously set rates, as well as a reduction in rates for targeted Case Management. The potential liability in this case is estimated to be between $19.0 and $21.0 million.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors

osteopathy) for performing the same services. They cite Section 37-10-104, MCA as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, and breach of contract and implied covenant of good faith. They request damages, interests, costs and attorney fees, which would amount to more than $1 million.

Moody's Market, Inc. et al. v. Montana State Fund, Montana Board of Investments, and State of Montana (Cause # DV-18-12) is a case filed by a group of Montana State Fund (MSF) policyholders, in Lake County District Court, in an effort to prevent the Board of Investments (BOI) from charging a 3.0% management fee on any single investor whose average portfolio balance held by BOI is greater than $1.0 billion. This fee was implemented per Senate Bill 4, passed during the 2017 Legislative Special Session. The District Court issued a decision dismissing MSF as a party and subsequently dismissed the case against the State of Montana and Board of investments. The plaintiffs appealed the District Court Decision to the Montana Supreme Court.

The Public Employee Retirement Board (PERB) has two items of outstanding litigation in relation to the Sheriffs' Retirement System (SRS) and the Montana Public Employee's Retirement Administration (MPERA). Refer to Note 6, section I for additional disclosure in relation to this legal proceeding.

The Montana State Fund, a discretely presented component unit of the State, has three items of litigation, in addition to the case listed above, in relation to their operations and underlying statutory authority governing the program. Refer to Note 18, section O for additional disclosure in relation to these legal proceedings.

Federal Contingencies

Food Distribution Program – The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #10.570) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2019, the State distributed $1.6 million of food commodities under CFDA #10.567 to other states.

The State of Montana distributed $13.8 million in commodities in fiscal year 2019. The value at June 30, 2019, of commodities stored at the State's warehouse is $3.7 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

Miscellaneous Contingencies

Loan Enhancements – As of June 30, 2019, the Board of Investments (BOI) had provided loan guarantees from the Coal Severance Tax Permanent Fund to the Municipal Finance Programs and the Facility Finance Authority (a component unit of the State of Montana), totaling $186.6 million. The BOI's exposure to bond issues of the Municipal Finance Programs was $105.1 million, while exposure to bond issues, surety bonds, and designated loans of the Facility Finance Authority was $88.9 million. The BOI has not been held responsible on any loan guarantee in the past.

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2019, the following assessments (by fund type) were outstanding (in thousands):

Taxes	General Fund
Corporate Tax	$ 13,238

Collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the

tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2019. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2019, these include $5.3 million of General Fund corporate tax refunds. It is estimated that the majority of these corporations' tax refunds would consist primarily of tax and could be significantly reduced or eliminated due to audits and appeals currently in process.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2019. As of June 30, 2019, these include $405.6 thousand of protested property taxes recorded in the General Fund and $459.2 thousand recorded in the State Special Revenue Fund.

Federal Grants - The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State is currently involved in administrative and legal proceedings, with certain federal agencies, contesting various disallowances and sanctions related to federal assistance programs ranging from $1.2 million to $5.0 million at June 30, 2019. The State's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

Since June 30, 2019, the Board of Investments (BOI) made additional commitments to fund loans from the INTERCAP loan program in the amount of $12.8 million.

In June 2019, BOI requested a 100.0% redemption in the amount of $101.0 million from one manager, pertaining to investments within the Trust Funds Investment Pool. Since the date of the request, the redemption has been received.

Since June 30, 2019, BOI has committed an additional $380.0 million to alternative equity partnerships within Consolidated Asset Pension Pool, with allocations of $160.0 million within the Private Equity Pension Asset Class, $50.0 million within the Natural Resource Pension Asset Class, and $170.0 million within the Real Estate Pension Asset Class.

Since June 30, 2019, BOI has received an additional $5.5 million in loan reservations from Montana Lenders and committed $17.8 million in loans from the Coal Severance Tax Permanent Fund.

The BOI's Chief Investment Officer (CIO) resigned July 19, 2019. Per the BOI's Governance Policy, the Executive Director will be the acting CIO until the BOI hires a replacement.

In August 2019, the plaintiffs, in relation to the case of the Moody's Market, Inc. et al. v. Montana State Fund, Montana Board of Investments, and State of Montana disclosed in Note 16 - *Contingencies*, appealed the District Court Decision to the Montana Supreme Court.

In October 2019, a single state entity borrower pre-paid $11.5 million in principle on outstanding INTERCAP loans to BOI.

Other Subsequent Events

On May 21, 2018, the Board of Examiners authorized a $4.0 million General Obligation Bond Anticipation Note for the Water Pollution Control State Revolving Fund Program, and a $3.4 million General Obligation Bond Anticipation Note for the Drinking Water State Revolving Fund Program. BOI has approved the loans. As of June 30, 2019, the bonds have not been issued.

On June 17, 2019, the Board of Examiners authorized a $6.5 million Coal Severance Tax bond for the Renewable Resource Grant and Loan Program. As of June 30, 2019, the bond has not been issued.

Since June 30, 2019, the Risk Management and Tort Defense Division of the Department of Administration has received $12.4 million of commercial insurance proceeds related to a catastrophic property loss at Montana State University - Bozeman that occurred on March 7, 2019. The total cost of this claim is projected at $44.0 million, of which the division paid a deductible of $1.5 million in fiscal year 2019. The remainder of the loss will be paid by the State's commercial excess property insurance carriers and it is estimated that the claim will be closed by the end of fiscal year 2023.

On August 26, 2019, the State paid $74.6 thousand to a Missoula lawmaker to settle a request in legal fees filed in July. The legal fees were split in half between the Commissioner of Political Practice and the Department of Justice.

On October 8, 2019, the Board of Examiners authorized a resolution to issue an amount, not to exceed $33.0 million, of General Obligation Bonds Series 2019. The bonds were authorized in House Bill 652 during the 2019 Legislative Session.

On October 21, 2019, the case of the Montana Health Care Association, et al, v. Department of Public Health and Human Services was settled. On November 26, 2019, a final adoption notice for Montana Administrative Register (MAR) Notice No. 37-898 was filed for the rate increases made retroactive to November 1, 2019. As soon as the rule notice is filed, the parties will jointly request the court stay the proceedings for so long as the Medicaid reimbursement

rates remain at or above the new rate. If the rates remain at or above such levels through June 30, 2021, the parties agree to dismiss the matter with prejudice as fully settled on the merits.

During the 2019 Legislative Session, House Bill 725 passed and was later signed by the Governor. This bill allowed sports wagering in the state with the Montana Lottery facilitating this activity. Though it is difficult to quantify the results of this new Lottery product, it may have a significant effect on the Montana Lottery and its financial statements. This new gaming will most likely be started in the fiscal year ended June 30, 2020.

NOTE 18. COMPONENT UNITS

A. Condensed Financial Statements

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2019 (in thousands):

Condensed Statement of Net Position

	Component Units					
	Montana Board of Housing	Facility Finance Authority	Montana State Fund (1)	Montana State University	University of Montana	Total Component Units
Assets:						
Cash, investments and other assets	$ 664,517	$ 8,350	$ 1,560,689	$ 677,096	$ 534,479	$ 3,445,131
Due from primary government	—	—	—	390	949	1,339
Due from component units	—	—	—	5	199	204
Capital assets (net) (Note 18C)	1	—	34,806	536,633	403,853	975,293
Total assets	664,518	8,350	1,595,495	1,214,124	939,480	4,421,967
Deferred Outflows of Resources	699	55	6,965	40,416	29,305	77,440
Liabilities:						
Accounts payable and other liabilities	10,771	21	93,269	78,449	63,482	245,992
Due to primary government	—	24	—	2,114	2,165	4,303
Due to component units	—	—	—	199	5	204
Advances from primary government	—	—	—	18,964	17,631	36,595
Long-term liabilities (Note 18I)	496,541	239	1,025,191	362,294	221,482	2,105,747
Total liabilities	507,312	284	1,118,460	462,020	304,765	2,392,841
Deferred Inflows of Resources	429	78	814	13,498	20,885	35,704
Net Position:						
Net investment in capital assets	1	—	34,806	351,533	298,999	685,339
Restricted	157,475	—	—	335,500	335,595	828,570
Unrestricted	—	8,043	448,380	91,989	8,541	556,953
Total net position	$ 157,476	$ 8,043	$ 483,186	$ 779,022	$ 643,135	$ 2,070,862

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2018.

Condensed Statement of Activities

Component Units

	Montana Board of Housing	Facility Finance Authority	Montana State Fund (1)	Montana State University	University of Montana	Total Component Units
Expenses	$ 22,715	$ 696	$ 228,399	$ 601,728	$ 455,815	$ 1,309,353
Program Revenues:						
Charges for services	1,802	831	161,259	288,465	180,684	633,041
Operating grants and contributions	24,873	188	—	205,073	134,960	365,094
Capital grants and contributions	—	—	—	15,551	20,299	35,850
Total program revenues	26,675	1,019	161,259	509,089	335,943	1,033,985
Net (expense) program revenues	3,960	323	(67,140)	(92,639)	(119,872)	(275,368)
General Revenues:						
Unrestricted grants and contributions	—	—	—	109	—	109
Unrestricted investment earnings	—	—	4,555	8,445	6,520	19,520
Transfer from primary government	—	—	—	130,064	101,416	231,480
Gain (loss) on sale of capital assets	—	—	(30)	(739)	1	(768)
Miscellaneous	—	—	479	—	—	479
Contributions to term and permanent endowments	—	—	—	16	35,857	35,873
Total general revenues and contributions	—	—	5,004	137,895	143,794	286,693
Change in net position	3,960	323	(62,136)	45,256	23,922	11,325
Total net position – July 1 – as previously reported	153,519	7,718	539,091	733,766	619,264	2,053,358
Adjustments to beginning net position	(3)	2	6,231	—	(51)	6,179
Total net position – July 1 – as restated	153,516	7,720	545,322	733,766	619,213	2,059,537
Total net position – June 30	$ 157,476	$ 8,043	$ 483,186	$ 779,022	$ 643,135	$ 2,070,862

(1) Montana State Fund reports their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2018.

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments and investments are included with the primary government in Note 3.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	$ 8,323	$ 8,306	$ 1,139	$ 17,768
Construction work in progress	37,180	7,384	8,292	52,856
Capitalized collections	9,882	28,063	—	37,945
Livestock for educational purposes	4,092	—	—	4,092
Total capital assets not being depreciated	59,477	43,753	9,431	112,661
Capital assets being depreciated:				
Infrastructure	44,999	9,904	—	54,903
Land improvements	30,519	16,408	—	46,927
Buildings/Improvements	739,491	658,891	27,942	1,426,324
Equipment	165,612	98,096	7,747	271,455
Livestock	—	255	—	255
Library books	67,651	62,205	—	129,856
Leasehold improvements	7,318	—	—	7,318
Total capital assets being depreciated	1,055,590	845,759	35,689	1,937,038
Total accumulated depreciation	(593,560)	(490,519)	(10,322)	(1,094,401)
Total capital assets being depreciated, net	462,030	355,240	25,367	842,637
Intangible assets	2,045	2,359	9	4,413
MSU Component Unit capital assets, net	13,081	—	—	13,081
UM Component Unit capital assets, net	—	2,501	—	2,501
Discretely Presented Component Units capital assets, net	$ 536,633	$ 403,853	$ 34,807	$ 975,293

D. Other Postemployment Benefits (OPEB)

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons component unit OPEB information is included in Note 7.

E. Risk Management

Montana State Fund (MSF or New Fund) is the only component unit risk pool. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

(1) Montana State Fund (MSF) – This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2018, approximately 23,800 employers were insured with MSF. Anticipated investment

income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by Willis Towers Watson, as of December 31, 2018, estimated the cost of settling claims that have been reported but not settled, and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques in order to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2018, $941.6 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to insure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2018, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contract provides coverage for occurrences up to $100.0 million; however, MSF retains the first $5.0 million of coverage. The excess of loss protection applies to an individual occurrence with the maximum of $5.0 million on any one life.

The term of the current aggregate stop loss contract is January 1, 2017 through December 31, 2019. The contract provides coverage based on MSF's premium levels not to exceed 15.0% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of $10.0 million during the year ended December 31, 2018.

Estimated claim reserves were reduced by $1.3 million as of December 31, 2018, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables due to the aggregate stop loss contract.

(2) Changes in Claims Liabilities for the Past Two Years – As indicated above, this fund establishes liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable. The information presented is at face value and has not been discounted.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Unpaid claims and claim adjustments expenses at beginning of year	$ 919,690	$ 921,532
Incurred claims and claim adjustment expenses:		
Provision for insured event of the current year	137,066	137,222
Increase (decrease) in provision for insured events of prior years	(15,141)	(14,195)
Total incurred claims and claim adjustment expenses	121,925	123,027
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	(22,903)	(24,597)
Claims and claim adjustment expenses attributable to insured events of prior years	(77,074)	(100,272)
Total payments	(99,977)	(124,869)
Total unpaid claims and claim adjustment expenses at end of year	$ 941,638	$ 919,690

F. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2019, were as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2020	$ 197
2021	148
2022	103
2023	62
2024	25
Thereafter	4
Total minimum payments	539
Less: interest	(43)
Present value of minimum payments	$ 496

G. Operating Leases

Future rental payments under operating leases at June 30, 2019, are as follows (in thousands):

Fiscal Year Ending June 30:	Discretely Presented Component Units
2020	$ 3,258
2021	2,412
2022	1,524
2023	1,201
2024	5,545
Thereafter	1,121
Total future rental payments	$ 15,061

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2019, were as follows (in thousands):

Year Ended	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 17,095	$ 16,430	$ 10,533	$ 6,917	$ 409	$ 466	$ 9,765	$ 3,058
2021	17,895	16,053	10,190	6,569	421	454	10,125	2,656
2022	18,185	15,619	10,460	6,227	433	442	10,611	2,238
2023	18,785	15,131	6,275	5,927	446	429	11,277	1,811
2024	19,270	14,588	6,580	5,682	459	416	11,182	1,472
2025 - 2029	106,795	63,092	32,300	23,799	2,505	1,868	21,595	3,663
2030 - 2034	108,880	44,274	29,695	18,015	2,896	1,477	9,150	1,295
2035 - 2039	88,420	25,745	25,700	11,738	3,347	1,026	2,780	191
2040 - 2044	69,875	10,845	26,975	5,836	3,869	504	—	—
2045 - 2049	20,885	1,776	10,940	844	1,274	37	—	—
Total	$ 486,085	$ 223,553	$ 169,648	$ 91,554	$ 16,059	$ 7,119	$ 86,485	$ 16,384

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2019, was as follows (in thousands):

	Beginning Balance (3)	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
Montana Board of Housing	$ 451,869	$ 90,796	$ 49,440	493,225	$ 17,095	$ 476,130
Montana State University (MSU)	190,410	348	12,414	178,344	10,533	167,811
MSU Direct Placement	16,455	—	397	16,058	409	15,649
University of Montana (UM)	97,118	—	9,482	87,636	9,801	77,835
Total bonds/notes payable (1)	755,852	91,144	71,733	775,263	37,838	737,425
Other liabilities						
Lease/installment purchase payable	436	225	165	496	174	322
Compensated absences payable	63,083	30,740	28,632	65,191	32,538	32,653
Arbitrage rebate tax payable	652	520	48	1,124	390	734
Estimated insurance claims	919,690	121,925	99,977	941,638	113,205	828,433
Due to federal government	31,818	720	2	32,536	—	32,536
Derivative instrument liability	3,080	1,147	—	4,227	—	4,227
Reinsurance funds withheld	85,870	11,099	48,583	48,386	—	48,386
Unearned compensation	391	—	—	391	—	391
Net pension liability	222,792	3,364	32,966	193,190	—	193,190
Total OPEB liability (2)	35,764	5,044	1,114	39,694	—	39,694
Total other liabilities	1,363,576	174,784	211,487	1,326,873	146,307	1,180,566
	$ 2,119,428	$ 265,928	$ 283,220	$ 2,102,136	184,145	1,917,991
Long-term liabilities of Montana University System component units (4)					(91)	3,702
Total discretely presented component units' long-term liabilities					$ 184,054	$ 1,921,693

(1) When applicable, this amount includes unamortized discounts and unamortized premiums.
(2) The Total OPEB liability beginning balance for Montana State Fund (MSF) was restated due to the implementation of GASB No. 75.
(3) Beginning balances are taken from component unit financial statements.
(4) Interentity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

J. Refunded and Early Retired Debt

Refunded Debt

On September 4, 2018, Montana State University issued Series F 2018 bonds in the amount of 19.8 million, to refund Series J 2005 in the same principal amount at a rate of 0.45% above Securities Industry and Financial Markets Association (SIFMA).

Defeased Debt Outstanding
The University of Montana has defeased certain bond issues by placing proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2019, $75.2 million of bonds outstanding were considered defeased.

K. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Facility Finance Authority (FFA)
FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project included in Note 11. At June 30, 2019, revenue bonds and notes outstanding aggregated $1.1 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 16 for more information.

Montana Board of Housing (MBOH)
MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2019, bonds outstanding aggregated $55.0 million.

L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled $88.9 million as of June 30, 2019. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2019 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
$ 81,451	$ 11,000	$ 3,510	$ 88,941

M. Derivative Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2019. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not.

Derivative Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
$25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA	Deutsche Bank AG
$25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

As of June 30, 2019, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in GASB 53 and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on "established principles of financial economic theory." The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

The counterparty to the fixed payer swap had the right to terminate the swap at $0 on December 14, 2016 (a European option); this option was not exercised. As of the trade date, the option's value included intrinsic value and time value. The option's intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds form the Series F 2018 bonds which were issued in a "SIFMA Index Rate" mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period which spans from September 4, 2018 through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2019, was 0.45%. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative.

The fair value of the fixed payer swap liability as of June 30, 2019, is at fair value level 2, and was based on forward SIFMA rates using the three month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative investment is also at level 2, and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap using the three month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2019 (in thousands):

		Activity During 2019		Fair Values at June 30, 2019	
Cash flow hedges:	**Notional**	**Classification**	**Amount**	**Classification**	**Amount**
Cash flow hedge –					
Pay fixed interest rate swap	$ 19,025	Interest expense	$ 18	Loan receivable	$ 212
		Investment income	—	Derivative liability	4,227
		Deferred outflow	1,147		
Investment derivative –					
Basis swap	$ 19,025	Investment loss	$ 200	Investment (excluding interest accrued)	$ 256

The objective and terms of MSU's hedging derivative outstanding as of June 30, 2019, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/ Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series J 2005 Bonds	$ 19,025	7/21/2005	11/15/2035	$ —	Pay 3.953% Receive SIFMA

Credit Risk

It is MSU's policy to enter into derivative agreements with highly rated counterparties. As of June 30, 2019, counterparty ratings were A3 by Moody's and BBB+ by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than $5.0 million and the counterparty is rated A+ or A, by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below, by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative agreements with multiple counterparties to limit concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk

Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap. As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk

The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk

MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the

fixed payer swap in a liability position. As of June 30, 2019, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Foreign Currency Risk
All hedging derivatives are denominated in US Dollars and therefore MSU is not exposed to foreign currency risk.

Market Access Risk
Market access risk is the risk that MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

N. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club, and the Montana Tech Alumni Association. The associations and booster club operate exclusively for the purpose of encouraging, promoting and supporting educational programs, research, scholarly pursuits and athletics at, or in connection with UM. For the year ended June 30, 2019, $229.4 thousand was transferred from or expended by the Montana Tech Booster Club for scholarships and construction projects. In exchange, UM provides the associations and booster club with office space, staff, and some related office expenses. MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. Friends of Montana Public Television provided $1.4 million during 2019 and Friends of KEMC Public Radio provided $900.0 thousand during 2019 in support of MSU's television and radio stations.

O. Litigation Contingencies

Susan Hensley v. Montana State Fund is based on a Petition for Hearing filed before the Workers' Compensation Court in October 2013. The matter is Susan Hensley vs. Montana State Fund, WCC No. 2013-3235. Under House Bill 334, as passed by the legislature in 2011 and codified in section 39-71-703 (2), MCA, when a claimant receives a Class I impairment, it is not payable unless the claimant has an actual wage loss as a result of the compensable injury or occupational disease. The law was effective July 1, 2011, and applicable to claims that occurred on or after that date. The petitioner in this matter is challenging the constitutionality of section 39-71-703 (2), MCA. State Fund anticipates the chances are remote, but as with any litigated matter there is the possibility of an adverse decision. Should the statute be held unconstitutional, determined to be applicable to other claims and also determined to be retroactively applicable, potential liability is estimated to be at least $2.2 million per year, as based on the National Council on Compensation Insurance initial pricing, and current estimated business volumes. However, based on experience, costs may be substantially higher than the estimate of $2.2 million per year.

Montana State Fund received another Petition for Hearing that was filed before the Workers' Compensation Court. The matter is Steven Hanson v. Montana State Fund, WCC No. 2014-3398. This is a companion case to Susan Hensley v. Montana State Fund and has been held in abeyance pending a decision in Hensley.

Mak and Sons Concrete Construction Service v. Montana State Fund is a matter filed in the First Judicial District Court and involves the issue of whether the Montana State Fund breached its contract to provide workers' compensation insurance coverage. The Montana State Fund canceled Mak and Sons' policy of insurance due to not receiving timely payment of premium. During the uninsured period, several employees of Mak and Sons were involved in a motor vehicle accident. As a result, Mak and Sons sued the Montana State Fund seeking to have coverage for the injuries as well as for breach of the contract of insurance and breach of the covenant of good faith and fair dealing. Should Mak and Sons prevail, MSF estimates the loss may approach $1.0 million.

P. Subsequent Events

On July 11, 2019, a loan of $335.9 thousand was made from the Facilities Finance Authority (FFA) to Central Montana Medical Center to finance equipment and renovation to create an interventional radiology suite.

On July 15, 2019, a loan of $498.5 thousand was made from FFA to Northeast Montana Health Services to refinance debt incurred to replace its boiler system.

On July 18, 2019, a loan of $298.5 thousand was made from FFA to Job Connection to refinance debt incurred to build an administrative building.

On July 30, 2019, Single Family Mortgage Bonds, 2019 Series B, were issued by the Board of Housing (BOH) for $30.0 million to be used for the purpose of acquiring additional mortgage loans in Montana.

In July 2019, Montana State University (MSU) received authorization from the Board of Regents to expend up to $1.5 million for the planning and design of the Bobcat Athletic Complex and Academic Excellence Center, a 40,000 square-foot addition to the north end of Bobcat Stadium in Bozeman. The project will be financed with private donations of $15.0 million and $3.0 million from the MSU non-state funds. Construction is expected to begin after the 2019 football season and expected to be open for the 2021 football season. MSU also received authorization from the Board of Regents to lease the Bobcat Stadium and surrounding area to the MSU Alumni Foundation (MSUAF) for the purpose of constructing the Bobcat Athletics Complex and enter into a Memorandum of Understanding with MSUAF for this project.

On August 8, 2019, bonds of $4.0 million were issued by FFA for the Bighorn Valley Health Center to construct a new community health clinic in Hardin, MT.

On September 13, 2019, Montana State Fund's board declared a dividend of $30.0 million to be distributed to approximately 23,000 employers.

On September 3, 2019, a loan of $99.1 thousand was made from FFA to McCone County Health Center, Inc. to finance a hot water heater installation and boiler repairs.

On September 10, 2019, a loan of $1.5 million was made from FFA to Marcus Daly Memorial Hospital to finance the purchase of a clinic building.

On September 5, 2019, on behalf of the University of Montana (UM), the Board of Regents (the Board) priced $54.5 million of General Revenue Bonds Series 2019B and $92.4 million of General Revenue Bonds Series 2019C (Taxable), collectively referred to as Series 2019BC Bonds. The bond issuance closed on September 26, 2019. The proceeds of the sale of the Series 2019BC (the Refinancing), were used to defease and refund $88.8 million of outstanding indebtedness, pay costs and expenses in connection with the issuance of the Series 2019BC Bonds, and generate proceeds of $63.4 million which will be used to fund capital improvements for UM. Such capital improvements may include the renewal and renovation of existing student housing, dining and recreational facilities, deferred maintenance projects, and plant upgrades which are expected to result in significant energy cost savings. The Refinancing consisted of a defeasance and refunding of the following: (i) Refunding taxable and tax-exempt Revenue Bonds, Series K 2010 outstanding in the aggregate principal amount of $19.6 million; (ii) Refunding taxable and tax-exempt Revenue Bonds, Series L 2012 outstanding in the aggregate principal amount of $35.1 million; (iii) Revenue Bonds, Series M 2013 outstanding in the aggregate principal amount of $3.8 million; (iv) Refunding Revenue Bonds, Series N 2015 outstanding in the aggregate principal amount of $14.8 million; (v) Board of Investments INTERCAP Program loans outstanding in the aggregate principal amount of $11.5 million; and (vi) State Building Energy Conservation Program (SBECP) loans outstanding in the aggregate principal amount of $4.0 million. Concurrently with the Refinancing, the Board exchanged UM's General Revenue Bonds, Series 2019A in the amount of $13.2 million, for its Revenue Bonds, Series O 2017 outstanding in the amount of $13.2 million. The Series 2019A Bonds were issued under the Indenture of Trust (Indenture) between the Board and the Trustee, and the Series O 2017 Bonds were cancelled. As defined in the Indenture for the Series 2019A and Series 2019BC Bonds, UM has pledged all permitted revenues after certain charges for payment of operation and maintenance expenses.

On October 4, 2019, bonds of $125.4 million were issued by FFA for the Sisters of Charity Leavenworth Health System, Inc. to refinance its Series 2010 bonds which refunded prior debt, as well as, funding equipment and renovations at facilities in Billings, Butte, and Miles City, MT.

On November 11, 2019, a loan of $581.2 thousand was made from FFA to Eastern Montana Mental Health Services to finance existing debt and furnish a group home in Glendive, MT.

On November 12, 2019, a loan of $500.0 thousand was made from FFA to Eastern Montana Mental Health Services to finance existing debt and furnish a group home in Glendive, MT.

On January 16, 2020, Single Family Mortgage Bonds, 2020 Series A, were issued by BOH for $42.4 million to be used for the purpose of acquiring additional mortgage loans and refunding certain BOH Single Family Homeownership bonds.

Q. Commitments

Montana State Fund (MSF or New Fund) is in a multi-year project to replace its legacy policy management system. The first phase to select vendors, coordinate change management processes and develop and implement core policy management and billing transaction systems is expected to be completed by December 2019 and require total expenditures estimated at $21.0 million. The total project cost from January 1, 2017 to December 31, 2018 was $12.7 million. The last phase to develop remaining enhancement features will be planned and arranged with consulting services towards the end of 2019. Costs during the application development phase will be capitalized and recorded as construction work in process until the system is deployed.

As of June 30, 2019, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately $12.9 million for equipment, supplies and services which had not yet been received.

In September, 2018, the US Department of Education (Department) informed the University of Montana (UM) that it was imposing a fine of $966.6 thousand for its failure to comply with the requirements of the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (the Clery Act) in Section 485 (f) of the Higher Education Act of 1965, 20 USC Section 1092 (f). In October, 2018, UM submitted a letter to appeal the proposed fine action and requested a hearing with the Department's Office of Hearings and Appeals. In January, 2019, UM and the Department agreed to resolve the matter and the fine amount was reduced to $395.0 thousand, to be paid in installments over five years. UM subsequently paid off the remaining balance due to the Department in July, 2019.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

Constitutionality of Retirement Plan Funding

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2019, the Game Warden & Peace Officers' Retirement System (GWPORS), the Highway Patrol Officers' Retirement System (HPORS), and the Public Employees' Retirement System - Defined Benefit Retirement Plan (PERS-DBRP) were not in compliance and do not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortize in 30 years or less as of the fiscal year ended June 30, 2019.

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	$ 124,034	$ 124,034	$ 126,135	$ 2,101
Taxes:				
Natural resource	67,687	67,687	86,211	18,524
Individual income	1,404,299	1,404,299	1,419,959	15,660
Corporate income	173,148	173,148	186,012	12,864
Property	287,638	287,638	288,070	432
Fuel	—	—	—	—
Other	244,842	244,842	241,604	(3,238)
Charges for services/fines/forfeits/settlements	38,999	38,999	37,153	(1,846)
Investment earnings	—	—	23,647	23,647
Sale of documents/merchandise/property	356	356	314	(42)
Rentals/leases/royalties	10	10	10	—
Contributions/premiums	5,838	5,838	5,833	(5)
Grants/contracts/donations	3,953	3,953	8,261	4,308
Federal	21,820	21,820	21,475	(345)
Federal indirect cost recoveries	66	66	157	91
Other revenues	5,999	5,999	5,861	(138)
Total revenues	2,378,689	2,378,689	2,450,702	72,013
EXPENDITURES				
Current:				
General government	377,031	377,031	360,596	16,435
Public safety	331,800	331,800	313,996	17,804
Transportation	180	180	—	180
Health and human services	564,544	564,544	526,712	37,832
Education	1,045,134	1,045,134	1,036,533	8,601
Natural resources	36,486	36,486	32,012	4,474
Debt service (Note RSI-1):				
Principal retirement	—	—	15	(15)
Interest/fiscal charges	—	—	216	(216)
Capital outlay (Note RSI-1)	—	—	3,579	(3,579)
Total expenditures	2,355,175	2,355,175	2,273,659	81,516
Excess of revenue over (under) expenditures	23,514	23,514	177,043	153,529
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	2	2
General capital asset sale proceeds	47	47	89	42
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	78,231	78,231	122,579	44,348
Transfers out (Note 12)	(251,909)	(251,909)	(58,977)	192,932
Total other financing sources (uses)	(173,631)	(173,631)	63,693	237,324
Net change in fund balances (Budgetary basis)	(150,117)	(150,117)	240,736	390,853
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	—	—
2. Securities lending costs	—	—	—	—
3. Inception of lease/installment contract	—	—	234	234
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(150,117)	(150,117)	240,970	391,087
Fund balance - July 1	—	—	199,318	199,318
Prior period adjustments	—	—	2,820	2,820
Increase (decrease) in inventories	—	—	298	298
Fund balances - June 30	$ (150,117)	$ (150,117)	$ 443,406	$ 593,523

The notes to the required supplementary information are an integral part of this schedule.
Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances.
The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
$ 227,602	$ 227,602	$ 234,402	$ 6,800	$ —	$ —	$ —	$ —
73,486	73,486	83,705	10,219	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
18,809	18,809	18,675	(134)	—	—	—	—
303,092	303,092	261,290	(41,802)	—	—	—	—
148,128	148,128	141,023	(7,105)	6	6	1	(5)
119,924	119,924	118,036	(1,888)	6,856	6,856	6,786	(70)
—	—	16,857	16,857	—	—	599	599
10,196	10,196	10,256	60	17	17	15	(2)
974	974	966	(8)	1	1	—	(1)
27,814	27,814	28,745	931	—	—	—	—
14,283	14,283	39,788	25,505	18	18	17	(1)
7,228	7,228	7,115	(113)	2,931,863	2,931,863	2,848,049	(83,814)
51,438	51,438	54,368	2,930	82,379	82,379	82,051	(328)
38,556	38,556	2,956	(35,600)	1,206	1,206	1,308	102
1,041,530	1,041,530	1,018,182	(23,348)	3,022,346	3,022,346	2,938,826	(83,520)
346,881	346,881	195,442	151,439	271,426	271,426	90,512	180,914
91,522	91,522	77,612	13,910	49,840	49,840	18,566	31,274
357,670	357,670	242,884	114,786	633,924	633,924	116,829	517,095
178,740	178,740	163,544	15,196	2,304,206	2,304,206	2,006,938	297,268
97,276	97,276	80,785	16,491	325,366	325,366	196,400	128,966
298,337	298,337	176,439	121,898	176,784	176,784	82,386	94,398
—	—	634	(634)	—	—	39	(39)
—	—	226	(226)	—	—	6	(6)
—	—	66,639	(66,639)	—	—	398,090	(398,090)
1,370,426	1,370,426	1,004,205	366,221	3,761,546	3,761,546	2,909,766	851,780
(328,896)	(328,896)	13,977	342,873	(739,200)	(739,200)	29,060	768,260
13,245	13,245	13,783	538	—	—	—	—
64	64	872	808	46	46	71	25
—	—	272	272	—	—	—	—
278,437	278,437	161,199	(117,238)	15,057	15,057	2,369	(12,688)
(110,225)	(110,225)	(65,310)	44,915	(89,994)	(89,994)	(32,087)	57,907
181,521	181,521	110,816	(70,705)	(74,891)	(74,891)	(29,647)	45,244
(147,375)	(147,375)	124,793	272,168	(814,091)	(814,091)	(587)	813,504
—	—	110	110	—	—	—	—
—	—	(67)	(67)	—	—	—	—
—	—	555	555	—	—	19	19
—	—	(13,111)	(13,111)	—	—	—	—
(147,375)	(147,375)	112,280	259,655	(814,091)	(814,091)	(568)	813,523
—	—	1,601,060	1,601,060	—	—	(10,070)	(10,070)
—	—	(624)	(624)	—	—	(1,975)	(1,975)
—	—	1,120	1,120	—	—	—	—
$ (147,375)	$ (147,375)	$ 1,713,836	$ 1,861,211	$ (814,091)	$ (814,091)	$ (12,613)	$ 801,478

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 1. BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2019, reverted governmental fund appropriations were as follows: $42.4 million in the General Fund, $172.3 million in the State Special Revenue Fund, and $356.6 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous nonbudgeted activity.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 2. PENSION PLAN INFORMATION

Required Supplementary Information
State of Montana as an Employer Entity

Judges' Retirement System
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 1,664	$ 1,628	$ 1,578	$ 1,653	$ 1,594
Interest	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	—	3,865	—	—	—
Refunds of contributions	(149)	—	—	—	—
Benefit payments	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	$ 60,192	$ 60,798	$ 53,953	$ 53,146	$ 51,632
Plan Fiduciary Net Position					
Contributions – employer	$ 1,085	$ 1,800	$ 1,806	$ 1,684	$ 1,651
Contributions – member	575	488	729	534	481
Net investment income	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	(149)	—	—	—	—
Benefit payments	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(264)	(254)	(197)	(136)	(100)
Other	7	—	(3)	—	—
Net change in plan fiduciary net position	5,998	8,848	698	2,884	11,430
Plan fiduciary net position - beginning	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position - ending	$ 102,651	$ 96,653	$ 87,805	$ 87,107	$ 84,223
Net Pension (Asset) – Beginning	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)	$ (23,556)
Net Pension (Asset) – Ending	$ (42,459)	$ (35,855)	$ (33,852)	$ (33,961)	$ (32,591)
Plan fiduciary net position as a percentage of TPL	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	$ 7,291	$ 6,974	$ 6,920	$ 6,525	$ 6,355
Net pension (asset) as a percentage of covered payroll	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ —	$ 1,085	$ 1,800	$ 1,786	$ 1,684
Contributions made in relation to the contractually required contributions	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 7,382	$ 7,291	$ 6,974	$ 6,920	$ 6,525
Contributions as a percentage of covered payroll	0.00%	14.88%	25.81%	26.00%	26.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Judges' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.18%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Highway Patrol Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 3,643	$ 3,665	$ 3,799	$ 3,598	$ 3,464
Interest	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	1,856	—
Difference between expected and actual experience	590	2,774	18	267	—
Changes of assumptions	—	7,892	—	—	—
Benefit payments	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(322)	(245)	(94)	—	—
Net change in total pension liability	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	$ 227,581	$ 218,922	$ 200,752	$ 192,966	$ 183,133
Plan Fiduciary Net Position					
Contributions – employer	$ 5,858	$ 5,782	$ 5,916	$ 5,840	$ 5,736
Contributions – non-employer	250	263	243	—	—
Contributions – member	2,387	1,950	1,917	1,624	1,458
Net investment income	12,283	15,099	2,605	5,738	18,677
Benefit payments	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(322)	(245)	(94)	—	—
Other	8	—	(2)	—	—
Net change in plan fiduciary net position	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	$ 149,199	$ 140,537	$ 128,973	$ 129,067	$ 126,010
Net Pension Liability – Beginning	$ 78,385	$ 71,779	$ 63,899	$ 57,123	$ 65,903
Net Pension Liability – Ending	$ 78,382	$ 78,385	$ 71,779	$ 63,899	$ 57,123
Plan fiduciary net position as a percentage of TPL	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	$ 15,251	$ 14,779	$ 15,276	$ 14,549	$ 14,149
Net pension liability as a percentage of covered payroll	513.95%	530.38%	469.88%	439.00%	404.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 6,051	$ 5,843	$ 5,706	$ 6,161	$ 5,782
Contributions in relation to the contractually required contributions	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 15,178	$ 15,251	$ 14,779	$ 15,276	$ 14,549
Contributions as a percentage of covered payroll	39.87%	38.31%	38.61%	40.00%	40.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Highway Patrol Officers' Retirement System
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.30%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Game Wardens' and Peace Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Total Pension Liability (TPL)					
Service costs	$ 8,098	$ 8,623	$ 8,403	$ 8,008	$ 7,850
Interest	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	4,781	3,743	2,705	731	—
Changes of assumptions	—	5,878	—	—	—
Benefit payments	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	$ 234,470	$ 213,201	$ 187,534	$ 169,649	$ 153,864
Plan Fiduciary Net Position					
Contributions - employer	$ 4,613	$ 4,464	$ 4,278	$ 4,088	$ 3,762
Contributions - member	5,512	5,278	5,036	4,924	4,462
Net investment income	15,573	18,590	3,167	6,435	20,069
Benefit payments	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(1,105)	(1,036)	(1,066)	—	—
Other	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	$ 193,523	$ 175,841	$ 154,685	$ 148,638	$ 138,743
Net Pension Liability – Beginning	$ 37,360	$ 32,849	$ 21,011	$ 15,121	$ 24,144
Net Pension Liability – Ending	$ 40,947	$ 37,360	$ 32,849	$ 21,011	$ 15,121
Plan fiduciary net position as a percentage of TPL	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	$ 50,823	$ 49,381	$ 47,108	$ 44,885	$ 41,637
Net pension liability as a percentage of covered payroll	80.57%	75.66%	69.73%	47.00%	36.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 4,644	$ 4,574	$ 4,447	$ 4,240	$ 4,040
Contributions in relation to the contractually required contributions	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 51,677	$ 50,823	$ 49,381	$ 47,108	$ 44,885
Contributions as a percentage of covered payroll	8.99%	9.00%	9.01%	9.00%	9.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
Game Wardens' and Peace Officers' Retirement System
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	$ 825,387	$ 1,033,200	$ 906,880	$ 749,414	$ 663,174
Employer's covered payroll	$ 640,177	$ 648,671	$ 621,755	$ 620,286	$ 597,083
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	128.93%	159.28%	145.86%	120.82%	111.07 %
Plan fiduciary net position as a percentage of the total pension liability	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 56,183	$ 54,844	$ 56,256	$ 59,073	$ 58,575
Contributions in relation to the contractually required contributions	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 638,674	$ 640,177	$ 648,671	$ 621,755	$ 620,286
Contributions as a percentage of covered payroll	8.80%	8.57%	8.67%	9.50%	9.44%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, includes inflation
Salary increases	0% to 4.80%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.26%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Entity

Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	$ 520,058	$ 19,622	$ 16,287	$ 13,365	$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	73.47%	74.00%	75.00%	78.00%	80.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 34,642	$ 34,706	$ 28,763	$ 30,800	$ 32,397
Contributions in relation to the contractually required contributions	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2018, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a Statutory Appropriation from General Fund per Section 19-3-320, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Sheriffs' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	$ 3,663	$ 3,696	$ 9,582	$ 5,434	$ 2,304
Employer's covered payroll	$ 3,781	$ 3,634	$ 3,850	$ 3,836	$ 3,580
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	82.68%	81.00%	63.00%	75.00%	87.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 513	$ 496	$ 368	$ 389	$ 388
Contributions in relation to the contractually required contributions	513	496	368	389	388
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 3,915	$ 3,781	$ 3,634	$ 3,850	$ 3,836
Contributions as a percentage of covered payroll	13.10%	13.12%	10.13%	10.10%	10.11%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%, includes inflation
Salary increases	0% to 6.30%
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.21%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.124706%	67.085433%	66.499650%	66.954111 %	66.888728%
Nonemployer's proportionate share of the net pension liability	$ 114,956	$ 119,354	$ 119,708	$ 110,756	$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	70.95%	68.00%	66.00%	67.00%	67.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 15,941	$ 15,283	$ 13,215	$ 13,752	$ 13,433
Contributions in relation to the contractually required contributions	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2018, are as follows:

> The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	$ 2,650	$ 2,525	$ 2,583	$ 2,454	$ 1,806
Employer's covered payroll	$ 1,103	$ 1,022	$ 974	$ 986	$ 735
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 494	$ 518	$ 472	$ 475	$ 142
Contributions in relation to the contractually required contributions	494	518	472	475	142
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 1,051	$ 1,103	$ 1,022	$ 974	$ 986
Contributions as a percentage of covered payroll	47.00%	46.96%	46.18%	49.00%	14.40%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%, including inflation
Inflation	2.75%
Salary increases	0% to 6.30%
Investment rate of return	7.65%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.23%

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	$ 78,285	$ 76,724	$ 77,448	$ 68,892	$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	79.03%	78.00%	75.00%	77.00%	77.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,209	$ 15,272	$ 14,042	$ 13,635	$ 13,573
Contributions in relation to the contractually required contributions	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of statutorily determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2018, are as follows:

> The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Volunteer Firefighters' Compensation Act
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	$ 7,667	$ 10,087	$ 10,599	$ 10,504	$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	83.48%	78.00%	76.00%	76.00%	87.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 2,361	$ 2,207	$ 2,054	$ 2,024	$ 1,913
Contributions in relation to the contractually required contributions	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of actuarially determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2018, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

Changes of assumptions: No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

Required Supplementary Information
State of Montana as an Employer Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	$ 47,407	$ 48,227	$ 57,016	$ 56,230	$ 72,168
Employer's covered payroll	$ 24,275	$ 26,944	$ 28,915	$ 31,252	$ 32,937
Employer 's proportionate share of the net pension liability as a percentage of its covered payroll	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Employer Contributions [1]
For the Fiscal Year Ended June 30
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 16,538	$ 17,298	$ 17,396	$ 16,946	$ 16,234
Contributions in relation to the contractually required contributions	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 23,250	$ 24,275	$ 26,944	$ 28,915	$ 31,252
Contributions as a percentage of covered payroll	71.13%	71.26%	64.56%	58.00%	52.00%

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Changes of assumptions: As a result of the recent actuarial experience study, dated May 3, 2018, since reporting year 2019, assumptions about mortality, inflation, wage growth, investment return, salary increase, retirement rates, termination rates, and investment expenses were adjusted to more closely match actual experience and benefit statutes.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2018, determined as of June 30, 2018.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
Wage inflation	3.25%, including inflation
Inflation	2.50%
Salary increase	3.25% to 7.76%, including inflation for non-University Members and 4.25% for University Members
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability [1]
For the Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	$ 700,417	$ 642,958	$ 707,527	$ 647,092	$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Nonemployer Contributions [1]
For the Fiscal Year Ended June 30

(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contributions	$ 44,333	$ 43,718	$ 43,028	$ 42,400	$ 42,806
Contributions in relation to the contractually required contributions	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	$ —	$ —	$ —	$ —	$ —

[1] *Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.*

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2018, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a $25 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: As a result of the recent actuarial experience study, dated May 3, 2018, since reporting year 2019, assumptions about mortality, inflation, wage growth, investment return, salary increase, retirement rates, termination rates, and investment expenses were adjusted to more closely match actual experience and benefit statutes.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years [1]
(in thousands)

Total OPEB Liability	2019	2018
Service cost	$ 2,062	$ 1,889
Interest	1,990	2,014
Difference between expected and actual experience	—	(4,723)
Changes of assumptions or other inputs	2,895	(295)
Benefit payments	(1,709)	1,705
Net change in Total OPEB Liability	5,238	590
Total OPEB Liability - Beginning	50,459	49,869
Total OPEB Liability - Ending	$ 55,697	$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100%	100%
Covered employee payroll	$ 702,688	$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	7.93%	7.47%

[1] Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

Total OPEB Liability and Related Ratios
Last 10 Fiscal Years (1)
(in thousands)

Total OPEB Liability	2019	2018
Service cost	$ 1,952	$ 1,954
Interest	1,495	1,410
Difference between expected and actual experience	—	(1,323)
Changes of assumptions or other inputs	1,351	(182)
Benefit payments	(888)	(679)
Net change in Total OPEB Liability	3,910	1,180
Total OPEB Liability - Beginning	35,438	34,258
Total OPEB Liability - Ending	$ 39,348	$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.59%	95.62%
Covered employee payroll (2)	$ 451,613	$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	9.11%	8.53%

(1) Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.
(2) Amount reported is for the whole MUS plan, Community Colleges are included due to lack of ability to separate covered employee payroll.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes of benefit terms, No changes in assumptions or other inputs that affected the measurement date have been made since the prior measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

State of Montana Hail Insurance Program
Claims Development Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Premiums and investment revenue										
Earned	$ 4,836	$ 4,320	$ 5,918	$ 7,446	$ 8,309	$ 8,029	$ 7,101	$ 7,034	$ 6,710	$ 6,866
Ceded	3,605	3,255	4,771	6,346	2,049	—	—	—	—	—
Net earned	1,231	1,065	1,147	1,100	6,260	8,029	7,101	7,034	6,710	6,866
2. Unallocated expenses including overhead	$ 412	$ 448	$ 455	$ 424	$ 1,124	$ 1,033	$ 3,562	$ 2,308	$ 1,545	$ 2,637
3. Estimated losses and expenses end of accident year	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309	$ 3,961
4. Net paid (cumulative) as of:										
End of policy year	$ 405	$ 85	$ 817	$ 189	$ 6,643	$ 13,285	$ 1,881	$ 3,857	$ 6,144	$ 3,723
One year later					—	—	—	—	—	—
Two years later						—	—	—	—	—
Three years later							—	—	—	—
Four years later								—	—	—
Five years later									—	—
Six years later										—
Seven years later										
Eight years later										
Nine years later										
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 422	$ 120	$ 819	$ 324	$ 6,660	$ 13,511	$ 2,221	$ 4,608	$ 6,309	$ 3,961
One year later					—	—	—	—	—	—
Two years later						—	—	—	—	—
Three years later							—	—	—	—
Four years later								—	—	—
Five years later									—	—
Six years later										—
Seven years later										
Eight years later										
Nine years later										
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Montana University System – Medical, Dental, Vision, Rx Claims
Claims Development Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. Premiums and investment Revenue	$ 98,885	$ 99,369	$ 100,693	$ 84,297	$ 80,764	$ 79,257	$ 76,505	$ 75,911	$ 73,078	$ 62,851
2. Unallocated expenses including overhead	$ 5,150	$ 5,111	$ 5,196	$ 5,129	$ 5,198	$ 4,787	$ 3,938	$ 4,063	$ 4,663	$ 3,629
3. Estimated losses and expenses end of accident year	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919	$ 65,575
4. Net paid (cumulative) as of:										
End of policy year	$ 82,055	$ 80,393	$ 75,601	$ 76,400	$ 79,388	$ 63,317	$ 61,964	$ 56,981	$ 57,018	$ 58,989
One year later		$ 89,050	$ 84,575	85,796	88,943	69,073	67,988	62,937	63,495	66,991
Two years later			$ 84,729	85,894	89,261	69,074	68,024	62,968	63,538	67,022
Three years later				86,002	89,264	69,076	68,024	62,974	63,539	67,041
Four years later					89,271	69,076	68,024	62,974	63,539	67,041
Five years later						69,076	68,024	62,974	63,539	67,042
Six years later							68,024	62,974	63,539	67,042
Seven years later								62,974	63,539	67,042
Eight years later									63,539	67,042
Nine years later										67,042
5. Re-estimated ceded losses and expenses	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	$ 93,392	$ 90,427	$ 85,802	$ 87,233	$ 87,353	$ 71,877	$ 69,325	$ 64,331	$ 64,919	$ 65,575
One year later		89,036	84,567	86,148	88,824	71,700	68,349	63,446	63,941	67,006
Two years later			84,729	85,894	89,261	69,074	68,024	62,968	63,538	67,022
Three years later				86,002	89,264	69,076	68,024	62,974	63,539	67,041
Four years later					89,271	69,076	68,024	62,974	63,539	67,041
Five years later						69,076	68,024	62,974	63,539	67,042
Six years later							68,024	62,974	63,539	67,042
Seven years later								62,974	63,539	67,042
Eight years later									63,539	67,042
Nine years later										67,042
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	$ —	$ (1,391)	$ (1,073)	$ (1,231)	$ 1,912	$ (2,800)	$ (1,302)	$ (1,357)	$ (1,380)	$ 1,467

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
CORPORATION FOR NATIONAL & COMMUNITY SERVICE			
94.003	State Commissions		$260,602
94.006	AmeriCorps	$3,364,111	$3,586,411
94.009	Training and Technical Assistance		$197,031
94.013	Volunteers in Service to America		$810,475
		TOTAL	**$4,854,519**
	CORPORATION FOR NATIONAL & COMMUNITY SERVICE TOTAL		**$4,854,519**
DEPARTMENT OF AGRICULTURE			
10.001	Agricultural Research Basic and Applied Research		
	University of Wyoming 1003948-MSU		$2,512
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$1,090,289
10.093	Voluntary Public Access and Habitat Incentive Program		$47,902
10.162	Inspection Grading and Standardization		$15,906
10.163	Market Protection and Promotion		$163,341
10.170	Specialty Crop Block Grant Program - Farm Bill	$267,453	$1,381,820
10.310	Agriculture and Food Research Initiative (AFRI)		$45,414
	University of Idaho BDK489-SB-001		$8,943
10.433	Rural Housing Preservation Grants		$34,718
10.435	State Mediation Grants		$15,323
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		$976,037
10.500	Cooperative Extension Service	$11,750	$450,543
	Kansas State University S19162		$2,430
	Kansas State University S19102		$15,793
	Kansas State University S18142		$5,313
	Kansas State University S17115		$6,648
	University of Missouri C00059381-8		$6,144
10.536	CACFP Training Grants		$369
10.541	Child Nutrition-Technology Innovation Grant		$559,821
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	$4,262,992	$12,588,197
10.558	Child and Adult Care Food Program	$617,011	$12,022,689
10.560	State Administrative Expenses for Child Nutrition		$880,475
10.567	Food Distribution Program on Indian Reservations	$2,175,842	$9,439,743
10.572	WIC Farmers' Market Nutrition Program (FMNP)		$49,380

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
10.574	Team Nutrition Grants		$386,036
10.575	Farm to School Grant Program	$23,493	$30,523
10.576	Senior Farmers Market Nutrition Program	$81,086	$82,124
10.578	WIC Grants To States (WGS)		$96,045
10.579	Child Nutrition Discretionary Grants Limited Availability	$50,604	$200,940
10.582	Fresh Fruit and Vegetable Program	$1,731,654	$1,827,231
10.601	Market Access Program		
	U.S. Livestock Genetics Export, Inc. MT DOA 2018		$15,699
10.605	Quality Samples Program		$299
10.652	Forestry Research		$450,657
	National Wilderness Stewardship Alliance WI2018		$17,834
10.664	Cooperative Forestry Assistance	$2,812,781	$5,046,320
	American Forest Foundation AFF-FS-15-039 SUBAWARD 15-DG-11132544-039 GCSI		$6,916
	Gallatin County 2018-579		$14,215
	Gallatin County 2018-578		$29,141
10.669	Cooperative Landscape Conservation		$5,000
10.674	Wood Utilization Assistance	$38,950	$100,573
10.676	Forest Legacy Program		$4,002,636
10.678	Forest Stewardship Program	$41,244	$41,244
10.680	Forest Health Protection		$2,956
10.683	National Fish and Wildlife Foundation		$27,391
10.691	Good Neighbor Authority		$229,360
10.699	Partnership Agreements		$95,634
10.902	Soil and Water Conservation	$48,493	$116,209
10.912	Environmental Quality Incentives Program		$32,536
10.924	Conservation Stewardship Program		$9,694
10.931	Agricultural Conservation Easement Program		$1,979,719
10.UXX	Miscellaneous Non-Major Grants		$250,691
		TOTAL	**$54,907,373**
Child Nutrition Cluster			
10.553	School Breakfast Program	$10,607,562	$10,607,562
10.555	National School Lunch Program	$28,597,672	$32,141,177
10.556	Special Milk Program for Children	$6,572	$6,572
10.559	Summer Food Service Program for Children	$2,318,343	$2,680,999
		TOTAL	**$45,436,310**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program		$2,014,086
10.568	Emergency Food Assistance Program (Administrative Costs)	$194,031	$356,056
10.569	Emergency Food Assistance Program (Food Commodities)		$1,628,301
		TOTAL	**$3,998,443**
Forest Service Schools and Roads Cluster			
10.665	Schools and Roads - Grants to States	$14,176,881	$14,176,881
		TOTAL	**$14,176,881**
SNAP Cluster			
10.551	Supplemental Nutrition Assistance Program		$148,914,444
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$277,163	$11,305,395
		TOTAL	**$160,219,839**
		DEPARTMENT OF AGRICULTURE TOTAL	**$278,738,846**
DEPARTMENT OF COMMERCE			
11.303	Economic Development Technical Assistance		$1,040
11.550	Public Telecommunications Facilities Planning and Construction		
	Corporation for Public Broadcasting 1492		$261,701
11.611	Manufacturing Extension Partnership	$24,026	$662,379
	Hawaii Technology Development Corporation		$16,354
	New Jersey Manufacturing Extension Program		$5,604
11.620	Science, Technology, Business and/or Education Outreach		$217,418
11.UXX	Miscellaneous Non-Major Grants		
	Corporation for Public Broadcasting 34736-EDU		$22,969
		TOTAL	**$1,187,465**
Economic Development Cluster			
11.307	Economic Adjustment Assistance		$304,005
11.307	Economic Adjustment Assistance		$2,937,992
		TOTAL	**$3,241,997**
		DEPARTMENT OF COMMERCE TOTAL	**$4,429,462**
DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms		
	Big Sky Economic Development Corporation SP4800-17-2-1722		$6,136
	Big Sky Economic Development Corporation SP4800-18-2-1822		$63,739

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
12.112	Payments to States in Lieu of Real Estate Taxes		$4,563
12.357	ROTC Language and Culture Training Grants		
	Institute of International Education 2606-UMT-G-5-GO-051-PO7		$96,009
	Institute of International Education PGO1801-UMT-16-PGO-051-PO2		$145,302
12.400	Military Construction, National Guard		$655,308
12.401	National Guard Military Operations and Maintenance (O&M) Projects		$23,915,371
12.404	National Guard ChalleNGe Program		$4,386,420
12.579	Language Training Center		
	Institute of International Education PGO1801-UMT-16-LTC-052-PO3		$148,421
	Institute of International Education PG01801-UMT-16		$1,595,145
	Institute of International Education 2603-UMT-5-LTC-052-PO8		$629,575
12.620	Troops to Teachers Grant Program		$429,159
12.UXX	Miscellaneous Non-Major Grants	$113,560	$1,496,639
	Battelle Memorial Institute US001-000590859		$18,100
	Pacific States Marine Fisheries Commission 19-102P		$61,112
	Pacific States Marine Fisheries Commission 18-128P		$192,703
	Pacific States Marine Fisheries Commission 18-93P		$1,108,790
	Pacific States Marine Fisheries Commission 19-85P		$812,954
		TOTAL	**$35,765,446**
		DEPARTMENT OF DEFENSE TOTAL	**$35,765,446**
DEPARTMENT OF EDUCATION			
84.002	Adult Education - Basic Grants to States	$1,078,822	$1,335,438
84.010	Title I Grants to Local Educational Agencies	$45,134,327	$46,407,677
84.011	Migrant Education State Grant Program	$1,225,500	$1,400,817
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		$263,472
84.031	Higher Education Institutional Aid		$407,853
84.048	Career and Technical Education -- Basic Grants to States	$589,370	$5,326,318
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		$8,134,835
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		$244,793
84.181	Special Education-Grants for Infants and Families		$1,928,370
84.184	School Safety National Activities	$44,584	$782,742
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		$340,953
84.196	Education for Homeless Children and Youth	$185,192	$261,376

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
84.287	Twenty-First Century Community Learning Centers	$5,187,316	$5,515,683
84.299	Indian Education -- Special Programs for Indian Children		
	Aaniiih Nakoda College S299B180009		$17,278
	Blackfeet Community College S299B160026		$114,824
	Blackfeet Community College TCTC#2-386-1-1504		$61,478
	Blackfeet Community College TCTC#2-3861-5107		$9,538
	Fort Peck Community College ED-GRANTS-061418-001		$6,006
84.323	Special Education - State Personnel Development	$78,655	$487,331
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		$284,816
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		$97,249
	Helen Keller National Center H326T180026		$56,134
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	$1,582,140	$4,272,659
84.335	Child Care Access Means Parents in School		$7,635
84.358	Rural Education	$319,262	$354,959
84.365	English Language Acquisition State Grants	$493,800	$1,212,913
84.366	Mathematics and Science Partnerships	$195,493	$293,039
	Bozeman Public Schools 16 0350 1513 MSP		$5,496
84.367	Supporting Effective Instruction State Grants	$9,324,940	$9,733,551
	National Writing Project 16-MT03-SEED2017-CRWPAI		$16,601
	National Writing Project 93-MT01-SEED2017-ILI		$73
84.369	Grants for State Assessments and Related Activities		$3,167,117
84.371	Comprehensive Literacy Development	$6,977,526	$7,525,811
84.372	Statewide Longitudinal Data Systems		$783,705
84.377	School Improvement Grants	$570,118	$1,173,396
84.418	Promoting Readiness of Minors in Supplemental Security Income		
	State of Utah Contract REF# 146214		$586,554
	University of Utah 10033712		$43,410
84.419	Preschool Development Grants	$6,416,496	$8,710,375
84.424	Student Support and Academic Enrichment Program	$4,068,521	$4,207,889
84.998	American Printing House for the Blind		$6,562
84.UXX	Miscellaneous Non-Major Grants		$91,668
		TOTAL	**$115,678,394**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Special Education Cluster (IDEA)			
84.027	Special Education Grants to States	$35,693,224	$39,377,764
	Missoula Area Education Cooperative		$64,208
84.173	Special Education Preschool Grants	$1,192,488	$1,195,483
		TOTAL	**$40,637,455**
Student Financial Assistance Cluster			
84.007	Federal Supplemental Educational Opportunity Grants		$1,530,372
84.033	Federal Work-Study Program		$2,118,635
84.038	Federal Perkins Loan Program_Federal Capital Contributions		$33,380,106
84.063	Federal Pell Grant Program		$44,706,517
84.268	Federal Direct Student Loans		$166,350,722
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		$7,706
		TOTAL	**$248,094,058**
TRIO Cluster			
84.042	TRIO Student Support Services		$2,042,066
84.044	TRIO Talent Search		$1,166,169
84.047	TRIO Upward Bound		$1,923,935
84.217	TRIO McNair Post-Baccalaureate Achievement		$68,345
		TOTAL	**$5,200,515**
		DEPARTMENT OF EDUCATION TOTAL	**$409,610,422**
DEPARTMENT OF ENERGY			
81.041	State Energy Program		$404,162
81.042	Weatherization Assistance for Low-Income Persons		$3,316,192
81.086	Conservation Research and Development		
	Pacific States Marine Fisheries Commission 18-50G		$32,249
	Pacific States Marine Fisheries Commission 19-36G		$56,477
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		$53,330
81.138	State Heating Oil and Propane Program		$8,707
81.UXX	Miscellaneous Non-Major Grants		$285,276
		TOTAL	**$4,156,393**
		DEPARTMENT OF ENERGY TOTAL	**$4,156,393**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	$20,028	$27,944
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	$74,046	$74,046
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	$142,550	$142,550
93.051	Alzheimer's Disease Demonstration Grants to States		$137,750
93.052	National Family Caregiver Support, Title III, Part E	$957,501	$1,017,206
93.070	Environmental Public Health and Emergency Response	$30,272	$424,496
93.071	Medicare Enrollment Assistance Program	$103,272	$108,703
93.072	Lifespan Respite Care Program	$148,651	$188,860
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	$3,146,528	$6,075,883
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		$84,473
93.090	Guardianship Assistance		$1,892,223
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	$127,755	$231,868
93.103	Food and Drug Administration Research		$247,594
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)		$1,075,403
93.110	Maternal and Child Health Federal Consolidated Programs	$56,848	$397,433
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		$191,960
93.127	Emergency Medical Services for Children		$407,999
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	$15,433	$147,121
93.136	Injury Prevention and Control Research and State and Community Based Programs		$756,125
93.150	Projects for Assistance in Transition from Homelessness (PATH)	$290,683	$301,354
93.155	Rural Health Research Centers		
	National Rural Health Association 2017 SRHA TECHNICAL ASSISTANCE		$3,165
93.157	Centers of Excellence		$1,059
93.165	Grants to States for Loan Repayment Program	$152,114	$152,114
93.184	Disabilities Prevention	$100,000	$341,777
93.217	Family Planning Services	$1,633,858	$2,311,892
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program		$61,990
93.236	Grants to States to Support Oral Health Workforce Activities	$144,106	$281,824

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
93.240	State Capacity Building		$280,502
93.241	State Rural Hospital Flexibility Program	$859,278	$967,243
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	$3,660,990	$6,044,053
93.251	Universal Newborn Hearing Screening		$313,208
93.262	Occupational Safety and Health Program		$135,829
93.268	Immunization Cooperative Agreements	$359,455	$13,490,211
93.270	Viral Hepatitis Prevention and Control	$45,000	$115,239
93.297	Teenage Pregnancy Prevention Program		$95,016
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	$31,236	$863,821
93.307	Minority Health and Health Disparities Research		$9,885,550
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		$2,241,022
93.324	State Health Insurance Assistance Program	$406,410	$498,139
93.336	Behavioral Risk Factor Surveillance System		$277,598
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	$39,272	$533,633
93.369	ACL Independent Living State Grants		$283,259
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds	$318,112	$2,274,476
93.434	Every Student Succeeds Act/Preschool Development Grants	$498,319	$559,384
93.448	Food Safety and Security Monitoring Project		$156,865
93.449	Ruminant Feed Ban Support Project		$27,634
93.464	ACL Assistive Technology		$509,375
93.500	Pregnancy Assistance Fund Program	$386,223	$866,379
93.516	Public Health Training Centers Program		
	University of Colorado Denver 1000587203		$15,657
	University of Colorado Denver FY19.641.005		$11,045
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	$25,660	$25,977
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		$22,383
93.556	Promoting Safe and Stable Families	$713,716	$1,026,681
93.563	Child Support Enforcement		$11,130,801
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	$303,905	$477,878
93.568	Low-Income Home Energy Assistance	$938,916	$21,299,962

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
93.569	Community Services Block Grant		$3,447,555
93.586	State Court Improvement Program		$251,128
93.590	Community-Based Child Abuse Prevention Grants	$89,946	$182,286
93.597	Grants to States for Access and Visitation Programs	$95,549	$97,249
93.599	Chafee Education and Training Vouchers Program (ETV)	$301,149	$302,902
93.600	Head Start		$144,451
93.603	Adoption and Legal Guardianship Incentive Payments		$186,774
93.630	Developmental Disabilities Basic Support and Advocacy Grants	$450,002	$450,002
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		$190
93.636	ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	$81,421	$104,963
93.643	Children's Justice Grants to States		$102,264
93.645	Stephanie Tubbs Jones Child Welfare Services Program		$686,680
93.658	Foster Care Title IV-E	$4,181,890	$19,274,310
93.659	Adoption Assistance		$11,152,844
93.667	Social Services Block Grant		$6,835,041
93.669	Child Abuse and Neglect State Grants		$117,161
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	$861,203	$864,636
93.674	Chafee Foster Care Independence Program	$827,272	$856,243
93.732	Mental and Behavioral Health Education and Training Grants		$281,915
93.747	Elder Abuse Prevention Interventions Program		$228,251
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	$88,023	$312,371
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		$383,763
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	$262,678	$1,098,496
93.767	Children's Health Insurance Program		$103,978,812
93.788	Opioid STR	$1,427,499	$2,654,759
93.791	Money Follows the Person Rebalancing Demonstration		$633,122
93.800	Organized Approaches to Increase Colorectal Cancer Screening	$281,200	$484,979
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).		$16,717
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		$17,670
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	$795,876	$2,060,496

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients		Expenditures
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	$592		$378,489
93.917	HIV Care Formula Grants	$1,032,893		$2,359,423
93.940	HIV Prevention Activities Health Department Based	$552,268		$1,035,767
93.945	Assistance Programs for Chronic Disease Prevention and Control			$59,636
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs			$177,725
93.958	Block Grants for Community Mental Health Services	$671,398		$1,190,538
93.959	Block Grants for Prevention and Treatment of Substance Abuse	$3,495,196		$7,910,377
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants			$253,583
93.994	Maternal and Child Health Services Block Grant to the States	$962,130		$1,862,824
93.UXX	Miscellaneous Non-Major Grants			$199,690
			TOTAL	**$264,149,714**
Aging Cluster				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	$1,996,314		$2,349,994
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	$3,260,217		$3,707,676
93.053	Nutrition Services Incentive Program	$881,143		$1,217,420
			TOTAL	**$7,275,090**
CCDF Cluster				
93.575	Child Care and Development Block Grant	$6,524,715		$19,085,616
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund			$6,178,148
			TOTAL	**$25,263,764**
Maternal, Infant, and Early Childhood Home Visiting Cluster				
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	$5,296,344		$6,220,289
			TOTAL	**$6,220,289**
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units			$706,983
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare			$2,575,722
93.778	Medical Assistance Program	$581,267		$1,478,459,908
			TOTAL	**$1,481,742,613**
Student Financial Assistance Cluster				
93.264	Nurse Faculty Loan Program (NFLP)			$11,744
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students			$235,984

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
93.364	Nursing Student Loans		$2,990,983
	TOTAL		**$3,238,711**
TANF Cluster			
93.558	Temporary Assistance for Needy Families	$812,151	$29,518,632
	TOTAL		**$29,518,632**
	DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL		**$1,817,408,813**
DEPARTMENT OF HOMELAND SECURITY			
97.012	Boating Safety Financial Assistance		$564,012
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		$371,416
97.029	Flood Mitigation Assistance	$129,431	($138,847)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	$1,791,381	$2,520,822
97.039	Hazard Mitigation Grant	$159,207	$134,036
97.041	National Dam Safety Program		$212,826
97.042	Emergency Management Performance Grants	$2,115,675	$3,102,920
97.043	State Fire Training Systems Grants		$4,083
97.045	Cooperating Technical Partners		$6,851,212
97.047	Pre-Disaster Mitigation	$2,153,430	$2,164,222
97.067	Homeland Security Grant Program	$2,725,930	$4,508,115
	Kalispell Police Department 18-SPWSPW-06-008		$2,482
97.082	Earthquake Consortium		$14,337
	TOTAL		**$20,311,636**
	DEPARTMENT OF HOMELAND SECURITY TOTAL		**$20,311,636**
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	$6,068,167	$6,378,008
14.231	Emergency Solutions Grant Program		$728,149
14.235	Supportive Housing Program		($26,478)
14.238	Shelter Plus Care		$42,062
14.239	Home Investment Partnerships Program	$4,146,156	$4,393,409
14.241	Housing Opportunities for Persons with AIDS		$949,082
14.275	Housing Trust Fund	$430,921	$618,371
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities		$114,174
	TOTAL		**$13,196,777**

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Housing Voucher Cluster			
14.871	Section 8 Housing Choice Vouchers		$21,781,585
		TOTAL	**$21,781,585**
Section 8 Project-Based Cluster			
14.195	Section 8 Housing Assistance Payments Program		$22,801,654
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation		$1,845,877
		TOTAL	**$24,647,531**
		DEPARTMENT OF HOUSING & URBAN DEVELOPMENT TOTAL	**$59,625,893**
DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	$310,886	$330,659
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life		$116,269
16.540	Juvenile Justice and Delinquency Prevention	$318,516	$337,376
16.543	Missing Children's Assistance		$99,188
	Rady Children's Hospital-San Diego UNIV OF MT 2018-01		$11,629
16.554	National Criminal History Improvement Program (NCHIP)		$1,627,341
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		$128,594
	Bozeman Public Schools 2014-MU-0017 (UM #1)		$222,228
16.575	Crime Victim Assistance	$7,212,090	$8,027,770
	State of Wyoming 2016-VA-GX-0051		$508
16.576	Crime Victim Compensation		$9,737
16.582	Crime Victim Assistance/Discretionary Grants		$792,443
16.585	Drug Court Discretionary Grant Program		$675,495
16.588	Violence Against Women Formula Grants	$833,380	$987,633
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		
	County of Missoula 2015-WR-AX-0013		$18,564
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		$241,905
16.593	Residential Substance Abuse Treatment for State Prisoners	$57,330	$57,330
16.606	State Criminal Alien Assistance Program		$22,194
16.609	Project Safe Neighborhoods	$5,517	$5,517
16.710	Public Safety Partnership and Community Policing Grants		$142,656
16.726	Juvenile Mentoring Program		
	National 4-H Council 4H NMP-9: 2018-JU-FX-0005		$3,675
	National 4-H Council 4-H UNDER OJJDP 2016-JU-FX-002		$16
	National 4-H Council 4-H UNDER OJJDP 2017JUFX0016		$35,647

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
16.735	PREA Program: Strategic Support for PREA Implementation		$43,040
16.738	Edward Byrne Memorial Justice Assistance Grant Program	$670,639	$916,036
16.741	DNA Backlog Reduction Program		$274,967
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		$102,861
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	$7,938	$7,938
16.750	Support for Adam Walsh Act Implementation Grant Program		$32,601
16.751	Edward Byrne Memorial Competitive Grant Program		$22,400
16.754	Harold Rogers Prescription Drug Monitoring Program		$158
16.818	Children Exposed to Violence	$183,117	$328,971
16.827	Justice Reinvestment Initiative		
	Council of State Governments 19-SA-161-2690		$109,475
16.833	National Sexual Assault Kit Initiative		$677,342
16.838	Comprehensive Opioid Abuse Site-Based Program		$12,020
16.839	STOP School Violence		$75,765
16.922	Equitable Sharing Program		$145,308
		TOTAL	**$16,643,256**
		DEPARTMENT OF JUSTICE TOTAL	**$16,643,256**
DEPARTMENT OF LABOR			
17.002	Labor Force Statistics		$710,552
17.005	Compensation and Working Conditions		$92,389
17.201	Registered Apprenticeship	$88,598	$607,752
17.225	Unemployment Insurance		$117,177,840
17.235	Senior Community Service Employment Program	$416,388	$436,306
17.245	Trade Adjustment Assistance		$278,554
17.268	H-1B Job Training Grants		
	Northern Wyoming Community College 011717-1		$383,817
17.271	Work Opportunity Tax Credit Program (WOTC)		$66,000
17.273	Temporary Labor Certification for Foreign Workers		$213,958
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	$152,171	$1,375,776
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	$157,229	$394,255
17.504	Consultation Agreements		$513,616
17.600	Mine Health and Safety Grants		$252,487
		TOTAL	**$122,503,302**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Employment Service Cluster			
17.207	Employment Service/Wagner-Peyser Funded Activities		$5,471,043
17.801	Disabled Veterans' Outreach Program (DVOP)		$561,173
17.804	Local Veterans' Employment Representative Program		$45,075
		TOTAL	**$6,077,291**
WIOA Cluster			
17.258	WIOA Adult Program	$507,206	$2,158,175
17.259	WIOA Youth Activities	$1,501,336	$1,993,346
17.278	WIOA Dislocated Worker Formula Grants	$77,569	$1,618,845
		TOTAL	**$5,770,366**
		DEPARTMENT OF LABOR TOTAL	**$134,350,959**
DEPARTMENT OF STATE			
19.009	Academic Exchange Programs - Undergraduate Programs	$278,890	$1,093,564
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program		
	Institute of International Education HHH1901		$89,469
	Institute of International Education IIE0138_2.22.18		$133,779
19.040	Public Diplomacy Programs		$2,463
19.401	Academic Exchange Programs - Scholars	$449,816	$1,122,025
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	$68,104	$1,078,714
19.600	Bureau of Near Eastern Affairs		
	Georgetown University S-NEAAC-17-CA-1016		$47,318
	Georgetown University MSU-20190310		$26,194
		TOTAL	**$3,593,526**
		DEPARTMENT OF STATE TOTAL	**$3,593,526**
DEPARTMENT OF THE INTERIOR			
15.025	Services to Indian Children, Elderly and Families		$120,157
15.034	Agriculture on Indian Lands		
	Fort Belknap Community Council A10AV00583		$59,680
15.130	Indian Education Assistance to Schools		$8,687
15.224	Cultural and Paleontological Resources Management		$67,523
15.225	Recreation and Visitor Services		$33,831
15.228	BLM Wildland Urban Interface Community Fire Assistance		$8,914
15.230	Invasive and Noxious Plant Management		$5,349

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
15.231	Fish, Wildlife and Plant Conservation Resource Management		$62,135
15.236	Environmental Quality and Protection		$632,475
15.239	Management Initiatives		$2,500
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		$2,018,441
15.252	Abandoned Mine Land Reclamation (AMLR)		$1,999,131
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination		$496,760
15.514	Reclamation States Emergency Drought Relief		$33,777
15.517	Fish and Wildlife Coordination Act		$133,273
15.524	Recreation Resources Management		$65,624
15.608	Fish and Wildlife Management Assistance		$56,808
15.626	Enhanced Hunter Education and Safety		$48,445
15.628	Multistate Conservation Grant		
	North Carolina State University 2018-0319-06		$4,179
15.634	State Wildlife Grants		$754,181
15.637	Migratory Bird Joint Ventures	$21,000	$47,437
15.657	Endangered Species Conservation – Recovery Implementation Funds		$2,229,165
	Wildlife Management Institute WNS 2018-08 (58185)		$12,629
15.660	Endangered Species - Candidate Conservation Action Funds		$86,506
	State of Utah 186103		$4,284
15.663	National Fish and Wildlife Foundation		$34,601
15.666	Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	$66,053	$130,000
15.670	Adaptive Science		$104,806
15.678	Cooperative Ecosystem Studies Units		$300,822
15.904	Historic Preservation Fund Grants-In-Aid	$85,817	$755,425
15.916	Outdoor Recreation Acquisition, Development and Planning	$367,900	$1,040,484
15.944	Natural Resource Stewardship		$15,764
15.945	Cooperative Research and Training Programs – Resources of the National Park System		$33,177
15.959	Education Program Management		
	Little Eagle Grant School		$1,519
	Paschal Sherman Indian School		$17,842
15.981	Water Use and Data Research		$12,513
15.UXX	Miscellaneous Non-Major Grants		$126,123
		TOTAL	**$11,564,967**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Fish and Wildlife Cluster			
15.605	Sport Fish Restoration		$7,745,389
15.611	Wildlife Restoration and Basic Hunter Education	$196,907	$13,218,280
		TOTAL	**$20,963,669**
		DEPARTMENT OF THE INTERIOR TOTAL	**$32,528,636**
DEPARTMENT OF TRANSPORTATION			
20.106	Airport Improvement Program		$610,407
20.200	Highway Research and Development Program		$220,226
20.215	Highway Training and Education		$214,000
20.218	Motor Carrier Safety Assistance		$2,670,091
20.232	Commercial Driver's License Program Implementation Grant		$95,257
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		$12,690
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort		$105,361
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	$510,608	$598,034
20.509	Formula Grants for Rural Areas	$8,600,144	$10,154,074
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	$240,330	$646,409
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		$89,391
20.700	Pipeline Safety Program State Base Grant		$187,918
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	$174,099	$210,543
		TOTAL	**$15,814,401**
Federal Transit Cluster			
20.526	Bus and Bus Facilities Formula Program	$802,560	$802,560
		TOTAL	**$802,560**
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	$3,265,136	$486,079,449
20.219	Recreational Trails Program	$1,874,977	$2,010,850
20.224	Federal Lands Access Program		$7,065,820
		TOTAL	**$495,156,119**
Highway Safety Cluster			
20.600	State and Community Highway Safety	$262,454	$1,539,502
20.616	National Priority Safety Programs	$404,579	$2,014,173
		TOTAL	**$3,553,675**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
Transit Services Programs Cluster			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	$1,245,628	$1,412,460
		TOTAL	**$1,412,460**
		DEPARTMENT OF TRANSPORTATION TOTAL	**$516,739,215**
DEPARTMENT OF TREASURY			
21.UXX	Miscellaneous Non-Major Grants		$2,376
		TOTAL	**$2,376**
		DEPARTMENT OF TREASURY TOTAL	**$2,376**
DEPARTMENT OF VETERANS AFFAIRS			
64.014	Veterans State Domiciliary Care		$193,485
64.015	Veterans State Nursing Home Care		$6,300,914
64.124	All-Volunteer Force Educational Assistance		$95,066
		TOTAL	**$6,589,465**
		DEPARTMENT OF VETERANS AFFAIRS TOTAL	**$6,589,465**
ELECTION ASSISTANCE COMMISSION			
90.404	2018 HAVA Election Security Grants		$387,000
		TOTAL	**$387,000**
		ELECTION ASSISTANCE COMMISSION TOTAL	**$387,000**
ENVIRONMENTAL PROTECTION AGENCY			
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		$335,158
66.040	State Clean Diesel Grant Program		$197,463
66.202	Congressionally Mandated Projects		$15,195
66.204	Multipurpose Grants to States and Tribes		$54,109
66.419	Water Pollution Control State, Interstate, and Tribal Program Support		$231,106
66.433	State Underground Water Source Protection		$108,000
66.454	Water Quality Management Planning		$7,138
66.460	Nonpoint Source Implementation Grants		$1,931,677
66.461	Regional Wetland Program Development Grants		$71,815
66.514	Science To Achieve Results (STAR) Fellowship Program		$12,407
66.516	P3 Award: National Student Design Competition for Sustainability		$8,196
66.605	Performance Partnership Grants		$5,533,950

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		$45,676
66.708	Pollution Prevention Grants Program		$162,783
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		
	eXtension Foundation SA-2017-67		$36,609
	eXtension Foundation SA-2019-61		$4,380
66.717	Source Reduction Assistance		$1,285
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		$1,880,518
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		$383,499
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		$564,353
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		$186,217
66.817	State and Tribal Response Program Grants		$713,771
		TOTAL	**$12,485,305**
Clean Water State Revolving Fund Cluster			
66.458	Capitalization Grants for Clean Water State Revolving Funds		$283,924,110
		TOTAL	**$283,924,110**
Drinking Water State Revolving Fund Cluster			
66.468	Capitalization Grants for Drinking Water State Revolving Funds		$171,589,933
		TOTAL	**$171,589,933**
		ENVIRONMENTAL PROTECTION AGENCY TOTAL	**$467,999,348**
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964		$225,960
		TOTAL	**$225,960**
		EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL	**$225,960**
EXECUTIVE OFFICE OF THE PRESIDENT			
95.001	High Intensity Drug Trafficking Areas Program		$25,217
		TOTAL	**$25,217**
		EXECUTIVE OFFICE OF THE PRESIDENT TOTAL	**$25,217**
GENERAL SERVICES ADMINISTRATION			
39.003	Donation of Federal Surplus Personal Property		($48,097)
39.011	Election Reform Payments		$131,174
		TOTAL	**$83,077**
		GENERAL SERVICES ADMINISTRATION TOTAL	**$83,077**

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.301	Museums for America		$9,218
45.310	Grants to States		$1,123,522
45.312	National Leadership Grants	$20,196	$124,433
45.313	Laura Bush 21st Century Librarian Program		$47,774
		TOTAL	**$1,304,947**
		INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	**$1,304,947**
LIBRARY OF CONGRESS			
42.UXX	Miscellaneous Non-Major Grants		$9,422
		TOTAL	**$9,422**
		LIBRARY OF CONGRESS TOTAL	**$9,422**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science		$165,278
	Space Science Institute 950		$1,729
	University of Washington UWSC8987		$34,420
43.008	Education		
	Sciencenter 2016-01-UMT/NNX16AM22G		$9,928
		TOTAL	**$211,355**
		NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL	**$211,355**
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION			
89.003	National Historical Publications and Records Grants		$14,621
		TOTAL	**$14,621**
		NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL	**$14,621**
NATIONAL ENDOWMENT FOR THE ARTS			
45.024	Promotion of the Arts Grants to Organizations and Individuals		$29,351
	Arts Midwest 00019995		$546
	Arts Midwest 00021928		$24,992
45.025	Promotion of the Arts Partnership Agreements	$372,152	$741,756
		TOTAL	**$796,645**
		NATIONAL ENDOWMENT FOR THE ARTS TOTAL	**$796,645**

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

		Amount to Subrecipients	Expenditures
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.129	Promotion of the Humanities Federal/State Partnership		
	Humanities Montana 17R064		$850
	Humanities Montana 17R025		$6,434
45.149	Promotion of the Humanities Division of Preservation and Access		$93,394
	Idaho State Historical Society		$116,134
45.163	Promotion of the Humanities Professional Development		$96,849
		TOTAL	**$313,661**
		NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL	**$313,661**
NATIONAL SCIENCE FOUNDATION			
47.076	Education and Human Resources		
	Salish Kootenai College 1102362		$382
		TOTAL	**$382**
		NATIONAL SCIENCE FOUNDATION TOTAL	**$382**
PEACE CORPS			
45.400	Peace Corps' Global Health and PEPFAR Initiative Program		$10,130
		TOTAL	**$10,130**
		PEACE CORPS TOTAL	**$10,130**
SMALL BUSINESS ADMINISTRATION			
59.037	Small Business Development Centers		$718,389
59.058	Federal and State Technology Partnership Program		$56,143
59.061	State Trade Expansion		$402,931
		TOTAL	**$1,177,463**
		SMALL BUSINESS ADMINISTRATION TOTAL	**$1,177,463**
SOCIAL SECURITY ADMINISTRATION			
96.008	Social Security - Work Incentives Planning and Assistance Program	$64,927	$193,780
		TOTAL	**$193,780**
Disability Insurance/SSI Cluster			
96.001	Social Security Disability Insurance		$5,825,780
		TOTAL	**$5,825,780**
		SOCIAL SECURITY ADMINISTRATION TOTAL	**$6,019,560**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
DEPARTMENT OF AGRICULTURE			
Agricultural Research Service			
10.001	Agricultural Research Basic and Applied Research		$183,198
	South Dakota State University 3TN612		$15,036
	South Dakota State University 3TK612		$9,006
	Washington State University 134967-G003986		$1,362
Animal and Plant Health Inspection Service			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	$42,000	$502,913
	Utah State University 200592-390		$38,359
Economic Research Service			
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations		$13,886
	Cornell Center for Behavioral Economics in Child Nutrition 77867-10660		$1,776
Farm Service Agency			
10.406	Farm Operating Loans		($2,309)
Foreign Agricultural Service			
10.610	Export Guarantee Program	$96,442	$218,003
10.960	Technical Agricultural Assistance		
	Rutgers, The State University of New Jersey SA#5566; PO 566945		$12,454
Forest Service			
10.652	Forestry Research	$12,886	$3,736,416
	Hydrosolutions Inc. MSA 2017-TO1		$51,986
	NatureServe MT-024-FY18 USFOR064-000		$11,816
	River Management Society 2017RMS-WSR50		($7,759)
10.664	Cooperative Forestry Assistance		$10,282
10.672	Rural Development, Forestry, and Communities		$1,809
10.680	Forest Health Protection	$1,129	$112,266
	Salish Kootenai College 2015-38424-24031		$6,700
10.684	International Forestry Programs	$25,000	$556,273
10.699	Partnership Agreements		$147,964
Miscellaneous			
10.RD	Miscellaneous Research and Development		$268,399
	University of California, Davis A17-0837-S001		$35,612

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Illinois at Urbana-Champaign 078863-16983		$107,138
National Institute of Food and Agriculture			
10.200	Grants for Agricultural Research, Special Research Grants		
	University of California, Davis A18-1334-S001		$4,248
	University of Idaho AP1008-SB1-870848/P0057780		$9,215
10.202	Cooperative Forestry Research		$497,279
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		$2,533,132
10.207	Animal Health and Disease Research		$41,593
10.215	Sustainable Agriculture Research and Education	$119,563	$784,577
	University of Idaho BJKP85-SB-001/PO005053		$30,866
	Utah State University 201207-554		$32,031
	Utah State University 150893-00001-174		$82,347
	Utah State University 200592-390		$50,878
	Utah State University 140867026-233	$884	$37,410
	Utah State University 201207-587		$4,911
	Utah State University 200592-395		$36,444
	Utah State University 200592-384		$12,857
	Utah State University 200592-385		$5,495
	Utah State University 200592-447		$6,202
	Utah State University 201207-597		$1,654
	Utah State University 140867034-367		$1
	Utah State University 201207-504		$24,122
10.217	Higher Education - Institution Challenge Grants Program	$25,187	$96,528
10.227	1994 Institutions Research Program		
	Fort Peck Community College FPCC-092018-001		$1,702
	Little Big Horn College		$6,754
	Salish Kootenai College 2016-38424-2558		$3,778
	Salish Kootenai College 2015-38424-22668		$5,862
	Salish Kootenai College 1		$14,821
	Salish Kootenai College SAA-16-MSU-001		$15,483
10.303	Integrated Programs		$121,943

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
10.304	Homeland Security Agricultural		
	Kansas State University S17045		$29,802
10.307	Organic Agriculture Research and Extension Initiative	$3,750	$44,003
	National Center for Appropriate Technology		$23,680
10.309	Specialty Crop Research Initiative		$172,480
	Colorado State University G-1363-04		$13,687
	Cornell University 73999-10426		$84,206
	University of Minnesota H007082503		$17,642
	University of Tennessee 8500042739		$18,275
10.310	Agriculture and Food Research Initiative (AFRI)	$156,807	$1,585,524
	Colorado State University G-91600-3		$166,336
	Colorado State University G-91600-2		($5,843)
	Kansas State University S15184		$4,184
	North Carolina State University 2015-0097-05		$8,158
	The University of North Carolina at Greensboro 20180006.1		$1,362
	University of California, Davis 201603566-08		$213,149
	University of Nebraska- Lincoln 25-6268-0005-004		$383
	University of Nebraska-Lincoln 25-6268-0005-004		$334
	University of Vermont 29034SUB51753		$24,966
10.312	Biomass Research and Development Initiative Competitive Grants Program (BRDI)	$66,566	$342,510
10.318	Women and Minorities in Science, Technology, Engineering, and Mathematics Fields		$17,544
10.329	Crop Protection and Pest Management Competitive Grants Program	$104,680	$463,367
10.330	Alfalfa and Forage Research Program		$79,093
	University of California, Davis A18-0619-S003		$38,490
10.500	Cooperative Extension Service	$34,241	$3,163,880
Natural Resources Conservation Service			
10.902	Soil and Water Conservation		$266,054
	Pheasants Forever, Inc. LPCI 18-01	$83,647	$245,363
	Pheasants Forever, Inc. 68-3A75-16-736		$166,064
10.903	Soil Survey		$75,580
10.912	Environmental Quality Incentives Program		$25,629

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster	Amount to Subrecipients	Expenditures
Risk Management Agency		
10.460 Risk Management Education Partnerships		$51,354
Rural Business Cooperative Service		
10.350 Technical Assistance to Cooperatives		
National Association of Development Organizations 800.01		$197,439
USDA, Office of the Chief Economist		
10.290 Agricultural Market and Economic Research		$3,083
	DEPARTMENT OF AGRICULTURE TOTAL	**$18,032,497**
DEPARTMENT OF COMMERCE		
National Institute of Standards and Technology		
11.620 Science, Technology, Business and/or Education Outreach		$10,000
National Oceanic and Atmospheric Administration		
11.431 Climate and Atmospheric Research		$130,518
University Corporation for Atmospheric Research SUBSAWD000858		$120,742
11.438 Pacific Coast Salmon Recovery Pacific Salmon Treaty Program		
Bering Sea Fishermen's Association AC-1609		$29,004
11.472 Unallied Science Program		
North Pacific Research Board 1718B		$45,015
North Pacific Research Board 1718A		$14,083
	DEPARTMENT OF COMMERCE TOTAL	**$349,362**
DEPARTMENT OF DEFENSE		
Advanced Research Projects Agency		
12.910 Research and Technology Development	$494,486	$1,238,167
North Carolina State University 2016-2896-04		$377,563
Defense Logistics Agency		
12.002 Procurement Technical Assistance For Business Firms		
Big Sky Economic Development Authority SP4800-17-2-1722		$14,224
Big Sky Economic Development Authority SP4800-18-2-1822		$70,359

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
Department of the Air Force			
12.800	Air Force Defense Research Sciences Program	$1,637,396	$17,881,616
	University of Minnesota A005720602		$199,814
Department of the Army			
12.114	Collaborative Research and Development		$68,239
	West Point Military Academy		$31,914
12.420	Military Medical Research and Development	$290,855	$992,708
	University of California, Davis A19-0382-S001		$6,299
12.431	Basic Scientific Research	$131,361	$3,873,682
Department of the Navy			
12.300	Basic and Applied Scientific Research		$246,028
	Blackmore Sensors and Analytics		$84,980
	S2 Corporation S2-5504-15-01UC		$57,107
	TPS Associates, Inc. PO MSU-7971/3002		$3,106
Miscellaneous			
12.RD	Miscellaneous Research and Development	$46,747	$4,477,430
	Duke University 313-0873		$47,260
	Duke University SUBCONTRACT NUMBER 313-0742		$166,813
	Eastern Band of Cherokee Indians 1900163		$16,172
	Leidos PO10169067		($28)
	Nutronics, Inc. SUBK-MSU-VDHWFS-01-100518		$36,243
	Nutronics, Inc. SUBK-MSU-NLAO-01-100518		$45,664
	Nutronics, Inc. SUBK-MSU-CORCS-01-100518		$75,010
	S2 Corporation S2-1954-16-01		$516
	S2 Corporation S2-17-0003-01		($149)
	S2 Corporation S2-5504-16-01C		$27,279
	Smartronix 18-018PO		$31,718
	Spectral Molecular Imaging		($108)
	Tufts University ARM212-MSU/ PO# EP0166321		$49,187
	Woods Hole Research Center WHRC-NG0461-01		$29,950

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
Office of the Secretary of Defense			
12.630	Basic, Applied, and Advanced Research in Science and Engineering		
	National Science Teachers Association		$22,742
	Technology Student Association		$38,507
12.632	Legacy Resource Management Program		$137,186
		DEPARTMENT OF DEFENSE TOTAL	**$30,347,198**
DEPARTMENT OF EDUCATION			
Institute of Education Sciences			
84.305	Education Research, Development and Dissemination		
	SRI International 51-001312		$130,746
	University of Missouri C00064217-1		$20,304
Office of Elementary and Secondary Education			
84.299	Indian Education -- Special Programs for Indian Children		$422,661
84.367	Supporting Effective Instruction State Grants		
	National Writing Project 09-MT02-SEED2017 ILI		($23)
Office of Postsecondary Education			
84.116	Fund for the Improvement of Postsecondary Education		
	Western Interstate Commission for Higher Education		$2,056
84.217	TRIO McNair Post-Baccalaureate Achievement		$153,171
		DEPARTMENT OF EDUCATION TOTAL	**$728,915**
DEPARTMENT OF ENERGY			
81.049	Office of Science Financial Assistance Program	$594,057	$1,521,115
	Amethyst Research Inc.		$24,819
	Glacigen Materials, Inc.		$54,611
	Montana Emergent Technologies		$236,450
	University of Wyoming DE-SC0012671		$175,400
	Washington State University 132345-G003797		$118,111
	Washington State University 134124-G003968		$122,219
	Yale University GR104542 (CON-80001480)		$119,259

Research and Development Cluster		Amount to Subrecipients	Expenditures
81.086	Conservation Research and Development		$2,882,843
	Kootenai Tribe of Idaho 2002-011-00-FWP-FY19		$79,611
	Kootenai Tribe of Idaho 2002-011-00-FWP-FY18		$104,719
81.087	Renewable Energy Research and Development		$2,320
	Clemson University 2107-219-2023054		$34,784
	Michigan State University RC107739		$140,285
	Ocean Renewable Power Company		$2,582
	University of Toledo F-2019-14		$172,914
81.089	Fossil Energy Research and Development	$599,071	$2,279,047
81.121	Nuclear Energy Research, Development and Demonstration		$64,390
81.135	Advanced Research Projects Agency - Energy		
	Cornell University 84185-11060		$1,200
Miscellaneous			
81.RD	Miscellaneous Research and Development		
	Battelle Energy Alliance DE-AC07-05ID14517		$43
	Sandia National Laboratories 1663302		$16,881
	Sandia National Laboratories 1922244		$35,835
		DEPARTMENT OF ENERGY TOTAL	**$8,189,438**
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration for Children and Families			
93.670	Child Abuse and Neglect Discretionary Activities		
	Futures Without Violence 2438		$5,437
	Futures Without Violence 2756		$31,879
	Futures Without Violence 2671		$35,179
Administration for Community Living			
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	$150,260	$1,672,090
	Institute for Rehabilitation and Research 18-MS2-017		$17,827
	Institute for Rehabilitation and Research 18-PDR-01		$2,330
	Institute for Rehabilitation and Research 19-MS2-017		$37,115
	University of Kansas FY2017-048	$54,486	$258,479

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		$556,500
Centers for Disease Control and Prevention			
93.136	Injury Prevention and Control Research and State and Community Based Programs	$118,827	$379,691
93.184	Disabilities Prevention		
	Special Olympics YR 18-800-133		$20,000
93.262	Occupational Safety and Health Program		$101,291
	Pennsylvania State University 5965-MSU-CSU-1107		$32,196
	Pennsylvania State University 5867-MSU-CSU-1107		$37,010
	University of Colorado FY18.347.004		$2,742
93.424	NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations		
	Association of Maternal & Child Health Programs 032718-36A		$9,831
	National Association of Chronic Disease Directors 1312018		$128
	National Association of Chronic Disease Directors 251-1501-1 #2702019		$1,295
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		
	Association of University Centers on Disabilities		$5,491
Food and Drug Administration			
93.103	Food and Drug Administration Research		$39,041
Health Resources and Services Administration			
93.107	Area Health Education Centers	$453,938	$787,398
93.110	Maternal and Child Health Federal Consolidated Programs		
	Utah State University PO369026-E		$73
	Utah State University PO405947-E		$9,000
93.155	Rural Health Research Centers		
	National Rural Health Association NRHA 2019		$5,312
93.178	Nursing Workforce Diversity		($193)
93.301	Small Rural Hospital Improvement Grant Program	$385,927	$443,816
93.359	Nurse Education, Practice Quality and Retention Grants	$201,060	$652,892
93.504	Family to Family Health Information Centers		$4,947
93.732	Mental and Behavioral Health Education and Training Grants		$415,881

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
93.822	Health Careers Opportunity Program		$257,072
93.884	Grants for Primary Care Training and Enhancement	$75,683	$455,445
93.913	Grants to States for Operation of State Offices of Rural Health		$181,067
93.969	PPHF Geriatric Education Centers	$158,812	$790,741
Indian Health Service			
93.933	Demonstration Projects for Indian Health		
	Blackfeet Community College 2014-01-MSU		$4,669
	Fort Peck Community College FPCC - AIHEC		$7
93.970	Health Professions Recruitment Program for Indians		$616,718
Miscellaneous			
93.RD	Miscellaneous Research and Development	$653,963	$3,644,100
	American Public Health Association		$12,500
	Boston Children's Hospital GENFD0001583403		$142,915
	Cell Signaling Technology K-002052		$19
	Duke University 7273 POPS V		$10,093
	ICF International 17RWSK0007		$75,909
	ICF International 18BBSK0053 (HHSN26100014)		$58,599
National Institutes of Health			
93.113	Environmental Health	$570,668	$2,114,977
	Meadowlark Science and Education LLC UM_ES01A1		$30,235
	Michigan State University RC107307MON		$105,113
	Scripps Research Institute 5-53234		$65,362
	University of New Mexico 3RY74 PILOT PROJECT		$14,930
	University of New Mexico 3RY74		$68,809
93.172	Human Genome Research		
	Institute for Systems Biology 2018.0008		$33,709
	Southcentral Foundation 2018-201		$185,262
93.173	Research Related to Deafness and Communication Disorders		
	MGH Institute of Health Professions 300326-01		$74,522
	MGH Institute of Health Professions 300315		$98,104
	Promiliad Biopharma Inc. R41-DC017641-01		$95,099

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
93.213	Research and Training in Complementary and Integrative Health		$43,417
	Flat Earth, Inc.		$29,196
93.242	Mental Health Research Grants		$3,516
	University of Washington UWSC10191 (BPO28076)		$1,420
93.273	Alcohol Research Programs		$29,130
93.279	Drug Abuse and Addiction Research Programs		$429
	Yale University GK000120 (CON-80000426)		$26,076
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	$104,943	$195,296
93.307	Minority Health and Health Disparities Research	$325,302	$731,935
93.350	National Center for Advancing Translational Sciences		
	University of Washington UWSC 9979		$35,187
93.351	Research Infrastructure Programs		$842,270
93.361	Nursing Research		
	Medical College of Wisconsin PO 1759446		$28,328
	University of Florida UFDSP00012150		$144,131
93.393	Cancer Cause and Prevention Research		$315,876
93.837	Cardiovascular Diseases Research		$61,044
	Mount Sinai School of Medicine 0255-7875-4609		($102)
93.838	Lung Diseases Research		$237,732
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		$16,141
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research		$826,875
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	$397,566	$1,945,114
	University of Washington UWSC10752/ BPO34774		$32,311
	Yale University M17A12590-GR104248 (80001410)		$250,683
93.855	Allergy and Infectious Diseases Research	$1,256,480	$5,518,681
	Albert Einstein College of Medicine P0703570 (SUB NO: 31194A)		$5,621
	Emory University A156367		$246
	Harvard University 114487-5109468		$34,456
	Indiana University PO1464301		$64,509
	Intact Genomics, Inc. 18_8765MTU		$49,991
	Ohio State University UT18209		$2,166
	Promiliad Biopharma Inc. R42AI118104		$1,265

The accompanying notes are an integral part of this schedule.

Research and Development Cluster		Amount to Subrecipients	Expenditures
	Promiliad Biopharma Inc. R41AI118104		($14,785)
	University of Connecticut KFS #5619100, 49814		$112,080
	University of Connecticut 50074		$172,349
	University of Florida UFDSP00011787		$468
	University of Kentucky PO7800004770/3200002108-19-191		$25,620
	University of Louisville Research Foundation ULRF 17-0750-01		$90,135
	University of Maryland 1600589		$49,045
	University of Notre Dame 202953MSU		$166,769
93.859	Biomedical Research and Research Training	$2,267,895	$17,866,634
	Board of Regents - Nevada System of Higher Education 5U54GM104944-05		$1,174
	Board of Regents - Nevada System of Higher Education 18-22QR-UMT-GP75		$6,732
	Meadowlark Science and Education LLC UM_GEN01		$145
	Meadowlark Science and Education LLC UM-OD01		$17,314
	Northwest Indian College NWIC-SA24226-MSU		$49,388
	Oklahoma State University 5-554009		$20,424
	Rutgers, The State University of New Jersey PO# 663268/ SUBAWARD #0222		$109,394
	University of Alaska Anchorage PO538440		$15,455
	University of Nevada, Las Vegas 18-22QN-MSU-05-BS		($848)
	University of Nevada, Las Vegas GR07331 DTTG SLOVARP		$9,311
	University of Nevada, Las Vegas GR07325		$40,416
	University of Nevada, Las Vegas GR07331		$40,443
	University of Nevada, Las Vegas GR07331 UMT-06-04-PILOT		$62,957
	University of Nevada, Las Vegas GR:07331		$206,674
	University of New Mexico 3REV9		$56,247
	University of Southern California 74478900		($5,326)
	University of Utah PO U000148335 / 10047369-S2		$44,436
	University of Utah 10047369-S2		$19,706
	University of Washington UWSC9319		$113,104
	University of Wisconsin 766K942		($11,814)
93.865	Child Health and Human Development Extramural Research	$1,653	$1,178,395
	University of Arkansas for Medical Sciences UAMS-MONTANA	$17,397	$34,690
	University of Arkansas for Medical Sciences 51460 PO#G190121109		$45,817

State of Montana
Schedule of Expenditures of Federal Awards
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Research and Development Cluster		Amount to Subrecipients	Expenditures
93.866	Aging Research	$49,100	$53,678
	Johns Hopkins University 2003050472		$19,218
	Michigan State University RC108877UM		$43,089
	University of Washington UWSC10030/BPO26347		$125,229
93.867	Vision Research		$154,275
	University of California, Berkeley PO #BB01134177		$53,496
93.879	Medical Library Assistance		
	Augusta University Research Institute, Inc. 32242-1		$23,095
	Baylor College of Medicine 7000000701		$40,114
	Institute for Rehabilitation and Research 18-NLM-01		($3,099)
Office of the Secretary			
93.001	Civil Rights and Privacy Rule Compliance Activities		
	Arrevus		$66,500
Substance Abuse and Mental Health Services Administration			
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	$61,103	$937,086
	Community Connections		$24,124
	Community Impact Coalition		$16,171
	Harrison County Family Resource Network		$16,589
	Potomac Highlands Guild		$16,272
	Prestera Center		$16,839
	Westbrook Health Services		$16,767
		DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	**$48,315,586**
DEPARTMENT OF JUSTICE			
Office of Justice Programs			
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		$74,237
		DEPARTMENT OF JUSTICE TOTAL	**$74,237**
DEPARTMENT OF STATE			
Bureau of Educational and Cultural Affairs			
19.408	Academic Exchange Programs - Teachers		
	International Research and Exchanges Board FY19-FTEA-MSU-01		$934

The accompanying notes are an integral part of this schedule.

Research and Development Cluster		Amount to Subrecipients	Expenditures
	International Research and Exchanges Board FY18-TEA-MSU-02		$44,904
	International Research and Exchanges Board FY18-TEA-MSU-01		$148,972
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges		
	Institute of International Education ASPEN INSTITUTE SI IIEI 2017		$5,506
Bureau of Near Eastern Affairs			
19.600	Bureau of Near Eastern Affairs		
	Georgetown University MSU-GR205769		$207,385
		DEPARTMENT OF STATE TOTAL	**$407,701**
DEPARTMENT OF THE INTERIOR			
Bureau of Land Management			
15.224	Cultural and Paleontological Resources Management		$100,756
	Kautz Environmental Consultants, Inc. KAUTZ 17-18		$36,344
	Society for California Archaeology		$11,616
15.225	Recreation and Visitor Services		$27,214
15.228	BLM Wildland Urban Interface Community Fire Assistance		$8,043
15.230	Invasive and Noxious Plant Management		$17,472
15.231	Fish, Wildlife and Plant Conservation Resource Management		$285,253
	Western Association of Fish and Wildlife Agencies		$26,251
	Wyoming Game and Fish Department 002670		$277
15.232	Wildland Fire Research and Studies		$171,990
	Utah State University 200588-00001-294		$13,126
15.236	Environmental Quality and Protection		$149,141
15.238	Challenge Cost Share		$44,264
Bureau of Reclamation			
15.530	Water Conservation Field Services (WCFS)		
	Farmer Canal Company of Gallatin County R17AP00325		$53,332
Miscellaneous			
15.RD	Miscellaneous Research and Development		$236,648
	Oregon State University L0205A-A		$172,482
	PG Environmental 50002.001		$70,257
	Portland State University 100006		$103,805

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
National Park Service			
15.915	Technical Preservation Services		$177,784
15.921	Rivers, Trails and Conservation Assistance		
	River Management Society 2017RMS-WSR50		$14,337
15.926	American Battlefield Protection		$31,991
15.945	Cooperative Research and Training Programs – Resources of the National Park System	$23,252	$722,181
	University of California, Santa Cruz A15-0116-S001-P0644054		$6,466
	University of Wyoming 1003410D-MSU		$4,890
	University of Wyoming NPS Research Center 1003410C-MSU		($1)
Office of Surface Mining, Reclamation and Enforcement			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining		$246,133
15.255	Science and Technology Projects Related to Coal Mining and Reclamation		$72,542
U.S. Fish and Wildlife Service			
15.605	Sport Fish Restoration		$43,008
	Wyoming Game and Fish Department 002243		$10,005
	Wyoming Game and Fish Department 002822		$34,452
15.608	Fish and Wildlife Management Assistance		$98,904
15.611	Wildlife Restoration and Basic Hunter Education		$1,552,373
	Idaho Department of Fish and Game IDFG-MA-20151029 SHEEP		$122
	Idaho Department of Fish and Game IDFG-MA-20151029		$158,220
	Idaho Department of Fish and Game IDFA-FY19-113		$58,286
	Idaho Department of Fish and Game IDFG-MA-20151029 PREY		$5,582
	Idaho Department of Fish and Game IDFG-MA-20151029-POP		$8,749
	Kentucky Department of Fish and Wildlife Resources PON2 660 1700001465		$19
	Michigan State University RC108133 UMT		$25,033
	Missouri Department of Conservation 377-B		$89,914
	Missouri Department of Conservation 369-B		$155,452
	State of Colorado 17-IGA-94119		$36,452
	State of North Dakota Game and Fish Department W-68-R-3		$247,550
	State of South Dakota 19CS06W008		$38,532
	State of South Dakota 19CS06W012		$114,989

The accompanying notes are an integral part of this schedule.

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Missouri C00052412-1		$12,960
	University of Missouri C00047758-1		$24,705
15.615	Cooperative Endangered Species Conservation Fund		$8,755
15.631	Partners for Fish and Wildlife		$30,642
15.634	State Wildlife Grants	$9,750	$53,450
15.637	Migratory Bird Joint Ventures		$197,554
15.650	Research Grants (Generic)		$55,141
15.655	Migratory Bird Monitoring, Assessment and Conservation		$42,561
15.657	Endangered Species Conservation – Recovery Implementation Funds		$385,313
	State of South Dakota 19-0600-048		$7,561
15.660	Endangered Species - Candidate Conservation Action Funds		$336
15.663	National Fish and Wildlife Foundation		
	National Fish and Wildlife Foundation 0103.13.038862		$14,025
	The Nature Conservancy MTFO070117_NK		$2,324
15.665	National Wetlands Inventory		$55,562
15.670	Adaptive Science		$7,966
	Western Association of Fish and Wildlife Agencies SBSI-C-17-08		$25,567
15.678	Cooperative Ecosystem Studies Units		$236,977
U.S. Geological Survey			
15.805	Assistance to State Water Resources Research Institutes	$8,524	$155,991
15.807	Earthquake Hazards Program Assistance		$1
15.808	U.S. Geological Survey Research and Data Collection	$13,750	$386,392
	Mountain Studies Institute 2018-001		$6,650
15.810	National Cooperative Geologic Mapping		$235,282
15.812	Cooperative Research Units		$142,505
15.815	National Land Remote Sensing Education Outreach and Research		
	AmericaView Inc AV18-MT-01		$15,553
15.820	National and Regional Climate Adaptation Science Centers		
	Colorado State University G-50003-1		$11,461
	Colorado State University G-52123-01		$16,457
	University of Washington UWSC10097/BP#27133		($3,214)

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Washington UWSC10097/BP033702		$19,355
	University of Washington UWSC10097/BPO33701		$24,969
15.980	National Ground-Water Monitoring Network		$22,791
		DEPARTMENT OF THE INTERIOR TOTAL	**$7,677,828**
DEPARTMENT OF TRANSPORTATION			
Federal Aviation Administration			
20.109	Air Transportation Centers of Excellence		$107,345
Federal Highway Administration			
20.200	Highway Research and Development Program	$980,984	$1,894,725
	California Department of Transportation 65A0604		$57,722
	California Department of Transportation 65A0550		$18,155
	California Department of Transportation 65A0614		$51,488
	California Department of Transportation 65A0606		$57,229
	California State University, Long Beach SG199416100		$25,242
	Idaho Department of Transportation 2016-01		$8,958
	Maine Department of Transportation 017582.18		($11)
	Minnesota Department of Transportation 1003322 WORK ORDER NO. 2		$12
	Minnesota Department of Transportation 1003322 WORK ORDER NO. 4		$21,380
	Minnesota Department of Transportation 1003322 WO 3		$30,996
	Nevada Department of Transportation P701-18-803 TASK 01		$52,879
	South Dakota Department of Transportation 311280 SD2016-03		$14,251
	Transportation Research Board HR 20-122 SUB0001256	$48,031	$139,972
	Washington State Department of Transportation T6737 TASK 12		$31,339
	Washington State Department of Transportation T6737 TASK 11		$28,892
20.205	Highway Planning and Construction		$1,024,438
	Center for Large Landscape Conservation		$7,695
	Maryland Department of Transportation P01814 X-1	$7,840	$70,459
	Minnesota Department of Transportation 1002306	$43,251	$181,407
Federal Transit Administration			
20.514	Public Transportation Research, Technical Assistance, and Training		
	ICF International 19SSSK0091		$9,337

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
National Highway Traffic Safety Administration			
20.600	State and Community Highway Safety		
	North Dakota Department of Transportation 12181527		$15,205
	North Dakota Department of Transportation 12180620		$9,000
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		$15,884
20.616	National Priority Safety Programs		
	Washington Traffic Safety Commission		$61,178
	Washington Traffic Safety Commission 2019-AG-2784		$66,169
	Yale University GK000707 (CON 80000657)		$3,603
Office of the Secretary			
20.701	University Transportation Centers Program	$632,896	$1,190,688
	University of Alaska Fairbanks UAF 14-0098 FP42825		$6,654
		DEPARTMENT OF TRANSPORTATION TOTAL	**$5,202,291**
DEPARTMENT OF TREASURY			
Community Development Financial Institutions			
21.020	Community Development Financial Institutions Program		$25,499
		DEPARTMENT OF TREASURY TOTAL	**$25,499**
DEPARTMENT OF VETERANS AFFAIRS			
VA Health Administration Center			
64.054	Research and Development		$215,145
		DEPARTMENT OF VETERANS AFFAIRS TOTAL	**$215,145**
ENVIRONMENTAL PROTECTION AGENCY			
66.202	Congressionally Mandated Projects		
	Idaho Department of Environmental Quality 5574		$54,232
	Idaho Department of Environmental Quality K196		$57,048
66.454	Water Quality Management Planning		
	Clark Fork Coalition 00856418		$19,561

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
66.461	Regional Wetland Program Development Grants		$228,091
	University of Wyoming 1004254-UM		$15,882
66.466	Chesapeake Bay Program		
	National Fish and Wildlife Foundation 0602.18.062653		$34,427
66.509	Science To Achieve Results (STAR) Research Program		
	Little Big Horn College MSU-LBHC		$10,589
	University of New Mexico 3RAW5 / 83615701		$13,125
66.510	Surveys, Studies, Investigations and Special Purpose Grants within the Office of Research and Development		
	Pegasus Technical Services #MONTS-18-001		$36,520
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies		$23,133
66.951	Environmental Education Grants		
	Arizona State University ASUB00000207		$804
Miscellaneous			
66.RD	Miscellaneous Research and Development		
	Pegasus Technical Services Inc. MONTT-18-001		$2,547
	Pegasus Technical Services Inc. MONTT-19-001		$4,585
		ENVIRONMENTAL PROTECTION AGENCY TOTAL	**$500,544**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.312	National Leadership Grants		$116,985
45.313	Laura Bush 21st Century Librarian Program		$63,449
		INSTITUTE OF MUSEUM AND LIBRARY SERVICES TOTAL	**$180,434**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	Science	$424,872	$3,220,623
	Arizona State University 16-005		$54,219
	Bay Area Environmental Research Institute ELA_NEX_103018		$20,478
	California Institute of Technology 1587131		$16,994
	Dartmouth College R1148		$2,780
	Dartmouth College R1060		$155,225

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster	Amount to Subrecipients	Expenditures
Georgia Institute of Technology RH809-03		$702,103
Lockheed Martin Corporation PO 4103399182		$10,289
Lockheed Martin Corporation 8100002702		$310,294
Princeton University SUB0000148		$20,124
SETI Institute SC 3118		$28,138
Smithsonian Astrophysical Observatory SV9-89001		$109,326
Smithsonian Astrophysical Observatory GO2-13126C		$6,750
Smithsonian Astrophysical Observatory GO7-18086A		$12,305
Smithsonian Astrophysical Observatory GO4-15098B		$16,304
Smithsonian Astrophysical Observatory GO8-19069X		$16,702
Smithsonian Astrophysical Observatory GO5-16091B		$40,480
Smithsonian Astrophysical Observatory SV7-77003		$61,934
Smithsonian Astrophysical Observatory G09-20094X		$2,935
Southwest Research Institute H99053CO		$9,288
Southwest Research Institute K99081KJ		$60,624
Space Telescope Science Institute HST-GO-12584.006A		($70)
Space Telescope Science Institute HST-GO-14047.005-A		$7,078
Space Telescope Science Institute HST-GO-13943.007-A		$21,110
Space Telescope Science Institute HST-GO-14251.004-A		$38,171
Stone Aerospace/PSC, Inc.		$4,636
Stottler Henke Associates, Inc. EPS-MAESTR01-STOTTLERHENKE-MSU		$3,013
Stottler Henke Associates, Inc. DIS-MAESTRO1-STOTTLER-HENKE-MO		$36,730
Sustainable Bioproducts NASA STTR		$22,825
Universities Space Research Association 04555-036		$3,600
University of Alaska Fairbanks UAF 18-0082		$66,798
University of California, Berkeley SA1868-26308PG; BB00090555		$10,027
University of California, Irvine 2016-3348		$59,860
University of Colorado Denver 1552610 / NNA15BB02A		$83,019
University of Maryland 3TB432		$12,669
University of Southern California 55747174		($153)
University of Washington UWSC8879/BPO13182		$113,582

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Wisconsin 756K954		$4,586
	Wildlife Conservation Society SERDP110515-217		$157,676
43.008	Education	$18,711	$1,611,399
	University Corporation For Atmospheric Research SUBAWED000758		$29,933
43.009	Cross Agency Support		$1,722
43.012	Space Technology	$1,118	$274,636
Miscellaneous			
43.RD	Miscellaneous Research and Development		
	California Institute of Technology 1422120		$63,441
	NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL		**$7,504,203**
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.129	Promotion of the Humanities Federal/State Partnership		
	Humanities Montana 18R045		$5,150
45.161	Promotion of the Humanities Research		$2,900
	NATIONAL ENDOWMENT FOR THE HUMANITIES TOTAL		**$8,050**
NATIONAL SCIENCE FOUNDATION			
47.041	Engineering Grants	$23,399	$2,191,029
	Case Western Reserve University RES514053		$35,516
	Yale University GR102667 (CON-8000127)		$32,158
47.049	Mathematical and Physical Sciences		$2,215,536
	Association of Universities for Research in Astronomy N87463C		$174,422
	S2 Corporation S2-1330880-13-03		$67,553
	University of Wisconsin-Milwaukee 153405537		$64,650
47.050	Geosciences	$237,419	$2,383,417
	George Washington University 14-S17 (PLR-1304555)		$9,780
	George Washington University 14-S17		$10,112
	Lehigh University/Global Village 543851-78002		$3,434
	South Dakota School of Mines MSU 17-22		$14,516
	University of Colorado 1555338-PO 1000856931		$16,980
	University of Colorado Denver 1555337/PO#1000855308		$157,782

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster		Amount to Subrecipients	Expenditures
	University of Hawaii at Manoa MA 1391		$24,450
	University of Hawaii at Manoa MA130029/MA1131		$2,006
	University of Kansas FY2018-050		$32,064
	University of Tennessee A17-0124-S001		$4,130
	Woods Hole Oceanographic Institution A101357		$68,932
47.070	Computer and Information Science and Engineering	$14,412	$759,013
	University of North Texas GF30041-1		$16,954
47.074	Biological Sciences	$142,704	$4,544,760
	Arizona State University 18-450		$39,141
	Cary Institute of Ecosystem Studies 3340-200201873		$10,486
	Washington State University 118996_G003357		$63,284
47.075	Social, Behavioral, and Economic Sciences	$115,861	$670,622
	Ohio State University 60059425, PO RF01500712		$8,748
47.076	Education and Human Resources	$45,312	$3,430,009
	Aaniiih Nakoda College MSU-3753/01		$81,722
	Chief Dull Knife College 1361522		$8,490
	Colorado State University 96702-5		$77,297
	Mathematical Association of America MAA 3-8-710-891		$121,697
	Michigan State University RC104101MONTANA		$31,929
	Salish Kootenai College MSUN-18-1		$2,246
	Salish Kootenai College HRD-1262779		$13,552
	University of San Diego		$1,988
47.078	Polar Programs		$41,912
47.079	Office of International Science and Engineering		$122,555
47.080	Office of Cyberinfrastructure		$545,668
47.083	Office of Integrative Activities	$1,091,091	$3,672,053
	South Dakota School of Mines SDSMT-MSU 18-04		$398,292
	Trustees of Dartmouth College R896/R897/1632738		$237,512
	University of Alaska		$5,508
	University of Southern California 87383750/PO#10558532		$22,088
		NATIONAL SCIENCE FOUNDATION TOTAL	**$22,435,993**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Research and Development Cluster	Amount to Subrecipients	Expenditures
SOCIAL SECURITY ADMINISTRATION		
96.007 Social Security Research and Demonstration		
University of Wisconsin-Madison 851K233		$42,712
SOCIAL SECURITY ADMINISTRATION TOTAL		**$42,712**
RESEARCH AND DEVELOPMENT CLUSTER TOTAL		**$150,237,633**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TOTAL		**$3,974,165,284**

The accompanying notes are an integral part of this schedule.

STATE OF MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the "Uniform Guidance"), and where applicable, Office of Management and Budget Circular A-133 requirements.

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net assets, or, where applicable, its cash flows for the fiscal year ended June 30, 2019.

Significant Accounting Policies

Expenditures shown on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, OMB Circular A-87, or other costs circulars wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Montana University System uses full accrual accounting to report campus federal expenditure activity. The Unemployment Insurance, Section 8 Voucher, and Section 8 Project-Based programs are accounted for as enterprise fund activity. Enterprise funds also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), and the Department of Defense Firefighting Property (Note 8) are presented using the basis of accounting described in each note. The Books for the Blind and Physically Handicapped Program (Note 9) is not presented on the Schedule of Expenditures of Federal Awards but is provided as additional information regarding the types of donations received by the state as part of this federal program.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Food Distribution Program

The amount reported for Food Distribution programs (CFDA #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2019, Montana distributed $1,563,112 of food commodities under CFDA #10.567 to other states.

The state of Montana distributed $13,773,898 in commodities in fiscal year 2019. The value at June 30, 2019 of commodities stored at the state's warehouse is $3,724,894, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (CFDA #93.307) includes endowment funds of $9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (CFDA #93.268) includes the dollar value of vaccine doses received during fiscal year 2019. The state used the Centers for Disease Control's price list to calculate the value of doses received. During fiscal year 2019, Montana received 207,800 vaccine doses valued at $11,711,263.

Note 2. Loan and Loan Guarantee Programs

The following loan and loan guarantee programs are reported on the Schedule of Expenditures of Federal Awards at their July 1, 2018 beginning loan balance plus the amount of any interest subsidy, cash, or administrative cost allowance received during fiscal year 2019:

CFDA#	Federal Loan/Loan Guarantee Program State Revolving Loans	FY 2019 Ending Balance
66.458	Capitalization Grants for Clean Water State Revolving Funds	$ 294,644,540
66.468	Capitalization Grants for Drinking Water State Revolving Funds	$ 169,316,440
	Total State Revolving Loan Programs	**$ 463,960,980**

CFDA#	Federal Loan/Loan Guarantee Program Student Financial Assistance	FY 2019 Ending Balance
	University Loans	
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$28,083,702
93.264	Nurse Faculty Loan Program (NFLP)	$8,630
93.364	Nursing Student Loans	$2,593,214
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	$195,156
	Total Student Financial Assistance Programs	**$30,880,702**

Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution's outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (CFDA #11.307) consists of two separate awards which are reported on the Schedule of Expenditures of Federal Awards at their June 30, 2019 ending loan balances. The amount of loans outstanding as of June 30, 2019 is $304,005 for award number 05-19-02445 and $2,937,992 for award number 05-79-73005.

The calculation for each of these loan balances is as follows:

Award Number: 05-19-02445		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Title IX SSED Revolving Loan Fund		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2019		$ 324,918
Cash & Investments FYE 2019		$ 103,258
FY 2019 Admin paid out of RLF Income		$ -
Unpaid Principal of loans written of during FY		$ -
		$ 428,176
Federal Percentage		71%
Federal Share of Revolving Loan Fund		**$ 304,005**

Award Number: 05-79-73005		
State Name = EDA Revolving Loan		
Federal Grantor = US Department of Commerce		
Federal Program Name = Economic Adjustment Assistance		
Federal Catalog Number = 11.307		
RLF Loan Balance FYE 2019		$ 4,467,703
Cash & Investments FYE 2019		$ 1,371,384
FY 2019 Admin paid out of RLF Income		$ 36,898
Unpaid Principal of loans written of during FY		$ -
		$ 5,875,985
Federal Percentage		50%
Federal Share of Revolving Loan Fund		**$ 2,937,992**

Other Federal Loans

The following loans, originally funded through federal programs, do not have any continuing federal compliance requirements imposed on the state, other than the loan repayments. These loans are not reported on the Schedule of Expenditures of Federal Awards:

Tongue River –Northern Cheyenne Tribal Loan

The Northern Cheyenne Tribe and the Department of Natural Resources and Conservation entered into an agreement on July 1, 1994 in which the tribe agreed to loan the state of Montana $11,300,000 of federal funds appropriated as part of the Northern Cheyenne Indian Reserved Water Rights Settlement. The loan is to assist the state in financing costs of the Tongue River Dam project. No expenditures of tribal loan funds were incurred on project costs during fiscal year 2019. The amount of the loan outstanding as of June 30, 2019 is $5,505,128.

Middle Creek Dam Rehabilitation Project Loan

The Department of Natural Resources and Conservation and the U.S. Department of the Interior, Bureau of Reclamation (BOR), entered into an agreement on September 21, 1990. The BOR agreed to loan the state of Montana "…a sum of money not to exceed the lesser of (1) $3,023,925 plus reimbursable interest during construction, or (2) the actual cost of the project, including reimbursable interest during construction..." The total loan repayable is $2,990,129, and reimbursable interest during construction is $281,857. As of June 30, 2019, the loan outstanding is $1,779,026, and reimbursable interest during construction is $166,445.

Note 3. Type A Federal Programs

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2019 will be issued by March 31, 2020.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2019.

Note 4. CFDA Number

The CFDA number assigned for each federal program listed in the Schedule of Expenditures of Federal Awards is based upon agency agreements with the federal government and the Catalog of Federal Domestic Assistance in effect during the audit period.

The complete CFDA number is a five-digit number, where the first two digits represent the federal agency and the second three digits represent the program. Programs not assigned a CFDA number in the Catalog of Federal Domestic Assistance were assigned a CFDA number in the format **.UXX or **. RD. Also refer to Note 13.

Note 5. Program Clusters

As defined by 2 CFR section 200.17, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the Schedule of Expenditures of Federal Awards either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision (for research and development programs).

Student Financial Assistance Cluster

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately, within their respective federal agencies, on the Schedule of Expenditures of Federal Awards.

The combined Student Financial Assistance Cluster includes the following programs:

CFDA #	Student Financial Assistance Cluster	FY 19 Expenditures
84.007	Federal Supplemental Educational Opportunity Grants	$1,530,372
84.033	Federal Work-Study Program	$2,118,635
84.038	Federal Perkins Loan Program_Federal Capital Contributions	$33,380,106
84.063	Federal Pell Grant Program	$44,706,517
84.268	Federal Direct Student Loans	$166,350,722
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	$7,706
93.264	Nurse Faculty Loan Program (NFLP)	$11,744
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	$235,984
93.364	Nursing Student Loans	$2,990,983
	Total Student Financial Assistance Cluster	**$251,332,769**

Note 6. Research and Development Grants

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or

methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

Note 7. Federal Excess Personal Property

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by the state, which is determined to be 22.47% of the original acquisition cost of the property.

Property received under CFDA #81.UXX, Miscellaneous Non-major Grants, is shown at its fair market value at the time of receipt.

The following is a list of the FEPP received by the state of Montana during fiscal year 2019. The negative amount reflects property sold (title transferred at public sale) or other disposition.

CFDA #	Program	FY 19 Amount	FY 19 Ending Inventory
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	($5,123)	$119,934
10.500	Cooperative Extension Service	$0	$3,039
10.664	Cooperative Forestry Assistance	($57,223)	$4,480,061
10.UXX	Miscellaneous – Non-major Grants	$0	$131,341
15.UXX	Miscellaneous - Non-major Grants	$3,420	$3,420
39.003	Donation of Federal Surplus Personal Property	($48,097)	$105,615
81.UXX	Miscellaneous Non-major Grants	($545)	$4,605
43.UXX	Miscellaneous – Non-major Grants	$0	$640,395
47.UXX	Miscellaneous – Non-major Grants	($32,672)	$119,251

Note 8. Department of Defense Firefighting Property

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 22.47% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2019:

CFDA #	Program	FY 19 Amount	FY 19 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	$581,375	$3,035,787

Note 9. Books for the Blind and Physically Handicapped

The Montana State Library receives “talking book” machines, cassette books, accessories, and magazines from the federal government under the Books for the Blind and Physically Handicapped Program (CFDA #42.001). These items are then distributed to provide library services to blind and physically handicapped individuals. The federal government retains title to these items. The approximate value of the items in inventory (not distributed to individuals) at June 30, 2019 was $895,905.

Since this program is considered a federal “use of equipment” agreement, the accompanying Schedule of Expenditures of Federal Awards does not include this amount.

Note 10. Unemployment Benefits

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards.

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (CFDA #17.225).

State UI Expenditures	$ 99,152,095
Federal UI Expenditures	18,025,746
Total	$117,177,841

Note 11. Subgrants to State Agencies

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources, which are considered subgrants by the awarding agency, are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the Schedule of Expenditures of Federal Awards. Pass-through grant numbers are included for those awards that were assigned an identifying number.

Note 12. Subgrants to Non-State Agencies

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients column shown in the Schedule of Expenditures of Federal Awards. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients does not include federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the Schedule of Expenditures of Federal Awards, as described in Note 11 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

CFDA #	Federal Program	Amount to Subrecipients
Non Research and Development		
84.048	Career and Technical Education -- Basic Grants to States	$2,555,753
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	$25,024
84.419	Preschool Development Grants	$374,547
93.262	Occupational Safety and Health Program	$3,904
	Total - Non Research and Development	**$2,959,228**
Research and Development Cluster		
93.778	Medical Assistance Program	$67,660
93.859	Biomedical Research and Research Training	$63,789
	Total Research and Development Cluster	**$131,449**

Note 13. Federal Awards not having a CFDA Number

The following schedules contain contract or grant numbers associated with awards that did not have a CFDA number and were assigned either a **.UXX or **.RD number in the Schedule of Expenditures of Federal Awards. Not all **.UXX or **.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

*Schedule of Unknown Federal CFDA Numbers (**.UXX)*

Federal Agency		*State Agency*	*Contract or Grant Number*	*Amount*
DEPARTMENT OF AGRICULTURE				
	10.U01	Montana State University - Bozeman	Unknown	1,601.00
	10.U02	University of Montana - Montana Tech	Unknown	2,500.00
	10.U03	University of Montana - Western	16-CS-11010200-021	7,464.00
	10.U07	Department of Natural Resources and Conservation	13-CS-11011000-047	8,196.00
	10.U09		13-SA-11015600-063	86,263.00
	10.U10		14-FI-11011400-011	290.00
	10.U12		16-FI-11010200-019	9,151.00
	10.U13		16-FI-11011100-060	2,341.00
	10.U14		16-FI-11011500-026	2,376.00
	10.U16		17-FI-11011600-013	8,575.00
	10.U17		17-FI-11015200-003	18,307.00
	10.U18		18-FI-11011600-026	46,785.00
	10.U19		18-FI-11015200-008	39,395.00
	10.U21		18-FP-11011500-017	14,285.00
	10.U22		DNRC-BLM-18-001	662.00
	10.U23		DNRC -BLM-PFP-16-003	2,500.00
DEPARTMENT OF COMMERCE				
	11.U01	University of Montana - Missoula	34736-EDU	22,969.00
DEPARTMENT OF DEFENSE				
	12.U02	University of Montana - Missoula	W9128F-17-2-0028	238,382.00
	12.U05	Department of Fish, Wildlife and Parks	18-128P	192,703.00
	12.U06		18-93P	1,108,790.00
	12.U10		W912DW-15-0001-0004	166,279.00
	12.U11	Department of Natural Resources and Conservation	Unknown	581,375.00
	12.U12	University of Montana - Missoula	Unknown	49,440.00
	12.U13	University of Montana - Montana Tech	US001-000590859	18,100.00
	12.U14	Department of Fish, Wildlife and Parks	W9128F-15-D-0015-0003	175,116.00
	12.U15		W912DW-15-0002-0001	230,953.00
	12.U16		W9128F-15-D-0015 W9128F19F00007	55,094.00
	12.U17		19-102P	61,112.00
	12.U18		19-85P	812,954.00
DEPARTMENT OF EDUCATION				
	84.U01	Office of Public Instruction	Contract # ED-IES-14-C-0086	91,668.00
DEPARTMENT OF ENERGY				
	81.U01	Department of Natural Resources and Conservation	Unknown	42,422.00
	81.U02	Department of Fish, Wildlife and Parks	00-UGPR-34	242,854.00
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	93.U01	Department of Public Health and Human Services	Unknown	199,690.00
DEPARTMENT OF THE INTERIOR				
	15.U04	Department of Fish, Wildlife and Parks	140G021890250	76,945.00
	15.U06		140G0219P0131	49,178.00
DEPARTMENT OF TREASURY				
	21.U01	Department of Administration	Unknown	2,376.00
LIBRARY OF CONGRESS				
	42.U01	Montana Historical Society	Unknown	9,422.00

Schedule of Unknown Federal CFDA Numbers for Research and Development Awards (XX.RD)

Federal Agency		*State Agency*	*Contract or Grant Number*	*Amount*
DEPARTMENT OF AGRICULTURE				
	10.RD	Montana State University - Bozeman	078863-16983	107,138.00
			A17-0837-S001	35,612.00
			Unknown	253,474.00
		University of Montana - Montana Tech	07-CS-11015600-099	14,924.00
			09-CS-11010800-018	1.00
DEPARTMENT OF DEFENSE				
	12.RD	University of Montana - Missoula	1900163	16,172.00
			W911KB-19-2-1500	8,647.00
			W9128F-14-2-0002 TO 0011	13,980.00
			W9128F-14-2-0002 TO 0012	109,348.00
			W9128F-14-2-0002 TO 0013	161,290.00
			W9128F-14-2-0002 TO 0017	11,720.00
			W9128F-14-2-0002 TO 0024	81.00
			W9128F-14-2-0002 TO 0025	27,417.00
			W9128F-14-2-0002 TO 0026	8,303.00
			W9128F-14-2-0002, TO 0001	74,185.00
			W9128F-14-2-0002, TO 0028	1,101.00
			W9128F-14-2-0002, TO 0030	690,944.00
			W912G-19-2-0007	189,278.00
			WHRC-NG0461-01	29,950.00
		Montana State University - Bozeman	18-018PO	31,718.00
			313-0873	47,260.00
			ARM212-MSU/ PO# EP0166321	49,187.00
			PO10169067	(28.00)
			S2-17-0003-01	(149.00)
			S2-1954-16-01	516.00
			S2-5504-16-01C	27,279.00
			SUBCONTRACT NUMBER 313-0742	166,813.00
			SUBK-MSU-CORCS-01-100518	75,010.00
			SUBK-MSU-NLAO-01-100518	45,664.00
			SUBK-MSU-VDHWFS-01-100518	36,243.00
			Unknown	3,181,028.00
DEPARTMENT OF ENERGY				
	81.RD	University of Montana - Montana Tech	1663302	16,881.00
			1922244	35,835.00
			DE-AC07-05ID14517	43.00
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	93.RD	University of Montana - Missoula	7273 POPS V	10,093.00
			GENFD0001583403	142,915.00
			K-002052	19.00
			Unknown	3,483,818.00
		Montana State University - Bozeman	17RWSK0007	75,909.00
			18BBSK0053 (HHSN26100014)	58,599.00
		University of Montana - Montana Tech	Unknown	23,455.00
		Department of Public Health and Human Services	HHS283201600001C	149,327.00
DEPARTMENT OF THE INTERIOR				
	15.RD	University of Montana - Missoula	L0205A-A	172,482.00
			50002.001	70,257.00
			100006	103,805.00
			Unknown	138,745.00
		Montana State University - Bozeman	Unknown	52,938.00
		University of Montana - Montana Tech	H1580070001	44,965.00
ENVIRONMENTAL PROTECTION AGENCY				
	66.RD	University of Montana - Montana Tech	MONTT-18-001	2,547.00
			MONTT-19-001	4,585.00
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
	43.RD	University of Montana - Missoula	1422120	63,441.00

STATE OF MONTANA

STATE RESPONSES

MONTANA DEPARTMENT OF ADMINISTRATION

State Financial Services Division
Steve Bullock, Governor
John Lewis, Director

March 25, 2020

Angus Maciver, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
PO Box 201075
Helena, MT 59620-1705

RE: Financial Audit 19-01A, State of Montana, for the fiscal year ended June 30, 2019

Dear Mr. Maciver:

The Department of Administration would like to thank the Legislative Audit Division for auditing the State financial statements for the fiscal year ended June 30, 2019. We appreciate your staff and the professionalism demonstrated during the audit process.

The Department of Administration's response to the items reported under Compliance and Other Matters, is as follows:

The Public Employees' Retirement Board (PERB) and the Montana Public Employee Retirement Administration (MPERA) have taken actions to address the material violation of finance-related legal provisions, resulting from the retirement systems and disability plan that are not actuarially funded, as required by the State Constitution. PERB has a policy to recommend funding increases when plans do not amortize within 30 years. Specifically, PERB is to recommend funding changes to address financial sustainability if PERB cannot reasonably anticipate the amortization period would decline without changes being made by Montana Legislature.

Again, we thank you for your assistance this financial reporting period. It was a pleasure working with your division throughout the audit process.

Sincerely,

John Lewis, Director

Statewide Accounting Bureau
Mitchell Bldg, Rm 255
P.O. Box 200102
Helena, MT 59620
406-444-3092

Financial Services Technology Bureau
Mitchell Bldg, Rm 295
P.O. Box 200102
Helena, MT 59620
406-444-3092

Local Government Services
Mitchell Bldg, Rm 255
P.O. Box 200547
Helena, MT 59620
406-444-9101

State Procurement Bureau
Mitchell Bldg, Rm 165
P.O. Box 200135
Helena, MT 59620
406-444-2575

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR

CAPITOL BUILDING - P.O. BOX 200802
HELENA, MONTANA 59620-0802

March 26, 2020

RECEIVED
March 26, 2020
LEGISLATIVE AUDIT DIV.

Mr. Angus Maciver
Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
Helena, MT 59620-1705

RE: State of Montana Financial Audit (#19-01A)

Dear Mr. Maciver:

The Office of Budget and Program Planning has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2019. Our office is pleased with your issuance of an unmodified opinion on our Schedule of Expenditures of Federal Awards, in relation to the financial statements as a whole, presented in this report.

Sincerely,

Tom Livers

Tom Livers
Budget Director

cc: Sonia Powell, Single Audit Coordinator

TELEPHONE: (406) 444-3616 FAX: (406) 444-4670